

JPRS-CAR-93-039

16 June 1993



# ***JPRS Report***

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## **China**

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## GENERAL

### Post-Cold War Role for NATO

93CM0262A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 5, 1 Mar 93 p 14

[Article by Chen Xuansheng (7115 1357 5110): "How NATO Continues To Exist"]

[Text] **The Old Adversary Has Vanished; Who Is the New Adversary?**

Although NATO frequently adjusts its strategy and functions, it is far from keeping up with the demands of the complex situation.

With the end of the Cold War and the disbanding of the Warsaw Treaty organization, NATO faces a new situation, vis-a-vis, how to continue to exist. The 1990 NATO summit in London proposed changes in NATO. In the past three years NATO has constantly developed in a new direction, and the problems it has encountered have piled up. Without a doubt this is a severe test for NATO.

### Dealing With Regional Conflicts: Discussion Without Reaching a Decision

After the disintegration of the Warsaw Treaty organization, regional conflicts in Europe intensified; in particular, the civil war in the former Yugoslavia seriously threatens the stability of the European region. Therefore, an important aspect in NATO's new functions is how to deal with regional conflicts. Recently NATO several times put forward a plan and scheme for military intervention in the Bosnia-Herzegovina civil war, but from beginning to end it was a case of holding discussions without reaching a decision. There are three reasons for this: just to separate the various belligerents would require 200,000 to 300,000 troops, and America, England, and other countries, fearing "falling into a European Vietnam," are unwilling to get involved. Politically, once they get involved they can no longer play the role of political mediator and intermediary, which would greatly reduce their room for maneuver. As for NATO internally, because the countries in it want to win the right to be dominant in European affairs, therefore the existing divergent views on how to solve the problem of the former Yugoslavia has made NATO—this largest and most tightly organized military bloc in the world today—powerless with regard to the conflict in the former Yugoslavia. This shows that, as a product of the Cold War, NATO, after the end of the Cold War, has not yet been able to find for itself a fairly strong standpoint.

### Expanding Its Member Countries: A Path Difficult To Take

Now, many countries in Eastern Europe and the Commonwealth of Independent States (CIS), both formally and informally, have expressed a desire to join NATO. Originally, to turn an enemy into a friend was something

that was most welcome to NATO, but to do so now entails one difficulty after another.

The first difficulty is that if former Warsaw Treaty countries are absorbed into NATO, the existing fairly tight military organization system of NATO is bound to be loosened, and also the equipment of the former Warsaw Treaty countries is different from NATO's. Therefore, NATO's operational capability would be adversely affected. This would make it more difficult for NATO to attain its original objective of safeguarding Europe's security and stability.

The second difficulty is that if it takes in new member countries, NATO's defense area will exceed the scope originally stipulated by the treaty and the treaty will need to be revised. But the treaty's revision will entail a series of new problems, among which will be the problem of changing NATO's current nature. This would obviously be a thorny issue.

The third difficulty is that France, Germany, and other European countries want to make the European alliance under the leadership of the EC the core of Europe's future defense, and are unwilling to let the influence of NATO headed by America overshadow other security organizations in Europe.

The fourth difficulty is that Russia wants to join NATO, something that would be very difficult for NATO. Many people think that Russia's true motive for joining NATO is unclear, and they worry that its objective is to contain East European countries and the other countries in the CIS. Other people worry that, after it joins it would produce a Trojan Horse effect in which East European countries would join NATO one after another. However, if NATO on its own bars the door to Russia and takes in other countries of Eastern Europe and the CIS, Russia will be "isolated."

From all this it can be seen that in the near and mid-term it will be very difficult for NATO to do anything with regard to expanding its member countries. To become involved with the countries of Eastern Europe and the CIS, NATO is now mainly "getting in touch" with the countries that want to join NATO through the North Atlantic Cooperation Committee. In expanding its own "camp" NATO could lag behind the European Security Council and the EC.

### New Strategic Plan: Difficult To Implement

In the summer of 1991 NATO put forward a new strategy, i.e., the "crisis reaction strategy." That is to say, NATO's strategic goal would change from the original defense dealing with incursions by the Soviet Union and the Warsaw Treaty organization to an omnidirectional defense dealing with regional conflicts and crises. At present, the rapid changes in the internal and external situations makes this new strategy difficult to achieve.

First, the member countries of NATO have loosened its strategic doctrine. This is because the original adversary

is no longer considered a real threat. Also, over the past two years, within the scope of the North Atlantic Cooperation Committee, NATO has quickly developed a relationship of military cooperation with the former Warsaw Treaty member countries. NATO's enthusiasm and sense of urgency for implementing the new strategy has thus been adversely affected. Second, after the United States new president, Clinton, assumed power he proposed a plan for cutting U.S. military forces stationed in Europe that was more radical than President Bush's, and reduced the military expenditure that the United States provides to NATO, which naturally adversely affected the determination of other European countries for implementing NATO's new strategy. Third, some member countries have shifted to an earlier date a major disarmament. For example, in its "1993 National Defense White Paper" the Netherlands announced that its total military force would be cut to 80,000 from its present 120,000. Belgium has announced that in the next several years it will cut its total military force 50 percent and its equipment 60 percent. Recently, Germany again decided to cut the number of men in its Armed Forces, and plans by about 2000 to have reduced its present

490,000 men to between 200,000 and 250,000. These countries did not consult NATO before they made these decisions. Once these decisions are implemented, it will be difficult for NATO to implement its plan for a "new military force structure," but also NATO's "unity" will be damaged. NATO Headquarters recently urged these member countries to reconsider their disarmament plans. Fourth, various member countries are vying with each other in cutting military expenditures, and even the United States and Germany, which in the past consistently and ardently played a comparatively "exemplary" role in military affairs, are now vigorously reducing their military expenditures. This is bound to adversely affect the implementation of NATO's new strategy.

From an overall view, in face of the new situation, NATO, although frequently adjusting its strategy and functions, is far from keeping up with the demands of the rapidly changing situation. However, Europe's security and stability to a great degree still depend on NATO, and for a time in the future there will be no other organization able to replace it.



### Reasons for Expansion of Government Organizations

93CM0275A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 278, 1 Mar 93 pp 48-49

[Article by Lu Sheng, a cadre engaged in economic work on the mainland: "The Reasons for the Expansion of the CPC's Organizations of Government Power"]

[Text] In the early days of the PRC, the ratio of cadres to the general population was 1:294. After expansion over some 40-plus years, the ratio of officials to the general population has become 1:34. There are over 30 million party and government cadres. The institutions are swelling, with many redundant agencies, layers of bureaucracy, and personnel. Giving approval to an investment project took as much time as 11 months, generated documents containing 3 million characters, and required those in charge of the matter to travel 20,000 kilometers.

After the establishment of the PRC, the CPC practiced the unified party leadership, organized a strict, uniform system of administrative jurisdiction and established the system of planned economy. In addition to other factors, all this has made the CPC's party and government agencies continually expand to the extent that the system of government power itself has found the expansion unbearable. In the process of reform and opening to the outside world and especially of the development of market economy, the greatly expanded ruling organizations of the party and government have become huge obstacles.

### The Number of Party and Government Agencies Increases by 9,000 Each Year

Immediately after the founding of the PRC, the ratio of cadres of government agencies to the general population was 1:294. In the past forty-plus years, while calling for the streamlining of the bureaucracy, the CPC has also continually expanded the bureaucracy. Presently, there are 33.86 million cadres in the party and government agencies; the ratio of officials to the general population is 1:34—a world record but not a proud one. In the state budget, administrative expenditures amounted to 26.908 billion yuan in 1988, an increase of 545 percent over 1978 and an increase of 937 percent over 1950. The swollen bureaucracy has become a heavy burden on the state.

In addition to central-level agencies, local party and government agencies also have a serious swelling problem, and have expanded greatly beyond the relevant government-set limitations. On average, each province has over seventy party and government agencies; each prefecture has over fifty; each city has sixty-five; and each county has forty-five. Some provinces and cities have as many as 100 party and government agencies (not including the large numbers of nonpermanent agencies). Nationwide, in 1990 the number of agencies increased by 55,000 over 1984, representing an average annual

increase of 9,000. As the number of agencies increases, the number of leading cadres would also increase. In some provincial-level agencies, department- and division-level cadres account for around 40 percent of all personnel. Interestingly, presently the document giving appointment to a cadre would use parenthesis after the name of the position. For instance, when the position is deputy head of division, it would be noted in the parenthesis that benefits normally given to a division head will be provided.

Local agencies at various levels across the country have over 400,000 personnel more than authorized in personnel plans at the end of 1989, and 500,000 personnel more than authorized in 1990. Nationwide, the number of cadres increases by 1 million each year.

At present, county-level administrative agencies have such problems as no one doing the job that needs to be done, people having nothing to do, the swelling of the bureaucracy, rapid increase in personnel, and low work efficiency. In 1990, nationwide, county-level administrative agencies (including those at the level of county-level cities) have 1.94 million personnel in total, 230,000 more than authorized. Last year, of the 2,181 counties nationwide, 1,091 counties had fiscal deficits. Even more counties are expected to do so this year.

### Hundreds of Stamps Are Involved in Approving a Project

The expansion of party and government agencies has also led to the increase in the number of management offices in enterprises. Under the pretext of making upper- and lower-level offices correspond to each other, some government agencies interfere with matters of internal organizational setup of enterprises. In many provinces and municipalities, large- and medium-sized enterprises now usually have over twenty departments (offices), and six or seven committees—altogether twenty-seven or twenty-eight bodies, representing a one-third increase over the preceding period. Nonproduction personnel account for around 20 percent of the total number of employees. The total number of cadres in enterprises under the jurisdiction of the Shanghai Municipal Economic Commission increased from over 290,000 in 1988 to over 324,000 in 1990, an increase of 11.87 percent. The average annual rate of growth was 2.27 percent, much higher than the population growth rate. The number of hired cadres increased by 31,200 in 1988-1990, but the total number of employees decreased by 0.32 percent over that period.

People—ranging from top decision-makers to ordinary people—have come to understand clearly that the swelling agencies and large numbers of redundant layers of bureaucracy, offices, and personnel have become a stubborn disease affecting the personnel work of state agencies in relation to the issue of staff size.

\* The approval of a project of an enterprise based on foreign investment took as much time as eleven months,

producing documents—including applications and various revised documents—containing over 3 million characters which used up 251.5 kilograms of paper. In the process, those in charge of matter travelled over 20,000 kilometers, costing over 40,000 yuan in travel expenses...

\* A plant had to get over 440 hurdles before getting the license for opening a technology development firm. The process lasted ten months, involving 391 stamps...

\* It took two years and four months for a food store in Wuhan City to go from making application to starting construction in a project of renovation of hazardous buildings. The store had to submit fifty-eight applications. Stamps of over seventy competent agencies were used 800 times over the period. The store used its own stamp 267 times. In the process of completing those tiresome procedures, it was necessary to replace three tires of a van, and to incur over 30,000 yuan in guest-entertainment expenses.

Such cases do not really matter, but only show the tiresome nature of the procedures. An even more tragic matter is that up to now the size of arable land nationwide remains unclear. Some provinces, prefectures, cities and counties do not even have demarcation lines between one another. There is even a difference of over 30 percent between the overall figures calculated on the basis of family planning statistics and the results of sample surveys.

Thus, one can see that the CPC's ruling organizations have expanded to the extent that the ruling group itself has found the expansion unbearable.

#### **Crisis Created by Oneself**

People create all the crises they themselves encounter. The seeds of today's crises may have already sown yesterday.

In the earlier times, after political power had been consolidated, the government changed its function into being focused on economic construction. After the first session of the National People's Congress (1954) determined the first-level government system under which the State Council was the central people's government, the State Council became the highest administrative organ of the state, exercising unified leadership over the work of the various ministries and commissions under the council and the work of the people's governments at the various levels across the country. Such a strictly unified system of administrative jurisdiction could expeditiously and effectively allocate economic resources in a centralized manner, so as to speed up economic construction.

Under the principle of large-scale, planned economic construction, governments at various levels set up a series of economic management agencies on the basis of making lower-level offices correspond to upper-level offices. All the important enterprises were under the direct leadership and management of agencies at the

central level. The administrative supervisory agencies of the provincial, municipal and county governments all had enterprises under their direct jurisdiction. With the expansion of the public sector and the government functions, the government bureaucracy also expanded continually. In order to facilitate management, cadres of enterprises are government-appointed. Cadres of the administrative offices of enterprises are considered state cadres.

After the threat from hostile military forces was eliminated, the CPC came to hold that political stability was the precondition for national development. As a socialist state under the leadership of the Communist Party, the state had first of all to strengthen the party's unified leadership. As a result, the leading bodies of the party and government were formed at all the central and local levels. Across all the social sectors, wherever there are administrative cadres, there would also be relevant party cadres. In order to enhance the leadership over such mass organizations as the Communist Youth League, trade unions, and the Women's Federation, as well as the democratic parties, officials of all these organizations are also considered state cadres, and relevant expenses are counted as administrative expenses and public institution expenses.

The political system characterized by the party's unified leadership and the planned economic system under the principle of public ownership have resulted in the situation where the government shoulders total responsibility for, counts as administrative expenses, all the expenses incurred by all such nonprofit organizations as educational, health care, scientific and technological, sports, cultural and news organizations.

Compared with people of other strata, cadres have power, enjoy high social status and receive good, stable economic income and benefits; therefore they are respected by entire society. In the mind of ordinary people, state cadres are sacred. Therefore, everyone would like to get a place in the sacred temple. Huge numbers of people have been vying to join the ranks of cadres. Once having joined the ranks, they would never leave. To accommodate the limitless supply of people, the only way is to expand the bureaucracy. Later on, the expansion of the bureaucracy would no longer be carried out for the purpose of meeting the needs of management, but for the purpose of meeting the needs of accommodating those who would like to make a living by joining the bureaucracy.

Theory tells us that the more advanced a society is, the fewer functions the government there has. In other words, "the government that governs the least is the best government," and such a government would have already established the most efficient and scientific management agencies.

Reform and opening to the outside world have ushered in a new era in China. There have been tremendous changes in politics, economy, culture and scientific and

technological affairs, and therefore changing government functions have become an inevitable choice in the new era.

### Political Relationships Among Beijing Leadership

93CM0278A Hong Kong KUANG-CHIAO CHING  
[WIDE ANGLE] in Chinese No 246,  
16 Mar 93 pp 14-17

[Article by Han Yang: "Beijing Enters the Chen Xitong Era; Deng Xiaoping's Bridge Partner Wang Daming Gets Promotion"]

#### [Text] Beijing Enters the Chen Xitong Era

The announcement of the results of elections at the current session of the Municipal People's Congress of the capital city of Beijing ushered in the era of Chen Xitong.

Chen Xitong, member of the Political Bureau of the CPC Central Committee, moved from the position of mayor which he held for 10 years to the powerful position of secretary of the Beijing municipal party committee. Li Ximing, previously secretary of the municipal party committee, has quickly faded away from the political arena of Beijing. According to an unofficial announcement, he will be one of the 18 deputy chairmen of the Standing Committee of the National People's Congress. This round of personnel changes means that the situation of perennial conflict between the party and government in the capital has ended.

On 13 February 1993, less than eight days after the elections, Chen Xitong lost no time in launching a public relations offensive. As head of—and together with the other members of—a group composed of the leaders of the municipal party committee, municipal people's congress, municipal government, municipal people's political consultative conference, and municipal disciplinary commission, he, beaming and glowing, met with the leaders of the dozens of news organizations in Beijing, thereby presenting an enlightened, open image.

The conflict between the municipal party committee and municipal government of Beijing was a long-standing one. It intensified after the events in the Soviet Union and Eastern Europe. Especially, in early 1991, it was widely rumored in Beijing that "the east compound was fighting with the west compound." This is because the two ruling organizations are housed in a large, contiguous compound, with the municipal party committee occupying the buildings on the east side and the municipal government occupying the buildings on the west side. The east compound was busy fighting peaceful evolution. At a seminar sponsored by the High Central Party School, Li Ximing criticized Chen Xitong by naming his name, and accused the municipal government of "engaging in peaceful evolution" by adopting certain measures in the process of reform and opening to the outside world, especially in the area of introducing foreign investment. The conflict between top officials of Beijing led to intermittent rumors about personnel

changes. Two rumors were the most widespread: Chen Xitong was to become minister of public security; or the governor of Sichuan. Such rumors ended only after Chen Xitong was elected member of the Political Bureau at the 14th CPC Congress. It is now clear that Chen Xitong will rule Beijing.

#### The Center Adopted a Four Chinese Character Policy: "No Concurrent Position, No Outside Official"

Who would be the mayor of Beijing, then became a hot topic of people's conversations and also for a time a puzzle which overseas media organizations tried to solve. According to a source, Zhongnanhai finally adopted the four-Chinese-character policy of "no concurrent position, no outside official." That is, Chen Xitong would not assume the two positions "concurrently," being simultaneously the mayor and the party secretary; meanwhile, no outside official would be sent there. As a result, repeated efforts were made to select one from the existing officials in Beijing; the one finally chosen was Li Qiyang, an official with little public exposure.

#### Why Was Li Qiyang Chosen?

Li Qiyang, at the age of 54, is a member of the CPC Central Committee. He engaged in party affairs work for a long time, and was director of the organizational department of the Beijing municipal committee of the CPC for eight consecutive years and deputy secretary of the Beijing party committee in charge of law-enforcement and judicial affairs for four years. It goes without saying that he has a strong power base in the circle of officials at large and in the public security and judicial systems. According to a source, Li Qiyang was responsible for the almost flawless operation of the colossal security system during the 1990 Asian Games.

Analysis of historical data shows that the mayor of the capital usually had some law-enforcement or judiciary background; such was the case with Peng Zhen as well as Chen Xitong, who had the experience of working in the public security agencies. Now Li Qiyang is the same in this regard. This is perhaps closely related to the security needs of the capital.

#### Li Qiyang's Primary Responsibility

What the ordinary people of Beijing are worried about is that Li Qiyang is conversant with neither economic affairs nor urban construction and management. But, it seems that this problem did not create doubts in the mind of those in Zhongnanhai when they selected the mayor of Beijing. On the other hand, market economy is a new subject to everyone in any case. What will be of crucial importance to Beijing under the current arrangements will be whether Li Qiyang can achieve cooperation and understanding with Chen Xitong, and carry out effective work on the basis of the accomplishments of the two preceding administrations headed by Chen Xitong.



It can be seen clearly from Chen Xitong's conduct after assuming the position of the party chief that the municipal party committee under his leadership will not stay outside the sphere of economic construction as in the era of Li Ximing, even less give itself the task of fighting liberalization in the economic sphere. Chen Xitong has emphasized many times that it is necessary to unwaveringly make economic construction the focus of the work of the municipal party committee, and that everything else is subordinate to this focus. It can be expected that in the future the municipal party committee and municipal government of Beijing will only have division of labor but not break up. As a result, there can occur a "Shanghai Model" situation, that is, a situation of close cooperation as in the case of Wu Bangguo and Huang Ju. Certainly, Chen Xitong will have greater influence on the work of Beijing than Wu Bangguo has in Shanghai, due to his prestige as the mayor for ten years and his decisiveness.

#### **Chen Xitong's Brilliant Act**

Chen Xitong did extremely well on a matter after assuming his position at the municipal party committee, performing a brilliant statesmanlike act. He did not replace the personnel of agencies of the municipal party committee because of his problems with Li Ximing in the past. He retained the majority of the personnel of the Li Ximing era, and let them continue to work. Then, in a big way, he started a debate on the emancipation of the mind and on climbing another step, in a merciless effort to get rid of the traditional, conservative working style, a legacy of the Li Ximing era. The practice of changing people's mind but not replacing people was very effective, and at least reduced the turbulence in the period of transition of power.

#### **Li Qiyuan Took the Lead in Expressing Support for the Main Ideas of the Remarks Made by Deng Xiaoping During His Spring Shanghai Tour**

After having established a proper order in the party-government relationships, Beijing shed the cautious, conservative image it had had in the past. At several meetings, Li Qiyuan expressed support for the main ideas of the remarks made by Deng Xiaoping in Shanghai during spring festival this year, and emphasized that Beijing must seize the historical opportunity to speed up development, deepen reform, and expand the opening to the outside world. According to the observation of this author, this is the third province or municipality, after Shanghai and Guangdong, to hoist up the flag of Deng Xiaoping's Spring Festival remarks. It is common knowledge that Mr. Deng's remarks this time, especially the part on "seizing the historical opportunity," obviously contain criticism on the intensity of current efforts to push market-oriented economic reforms.

#### **Is Beijing's Economy Overheating?**

With regard to the current debate over economic development, Chen Xitong said at a meeting: "Is Beijing's economy overheating? Development is still the most

important to Beijing. We have the necessary conditions; why not develop? Sure, in 1958, talking big cost us a lot. But, how the conditions were then, and how the conditions are now! One should not be frightened of a well rope just because he was bitten by a snake ten years ago. China does not have many opportunities. The remarks made by Comrade Xiaoping are of great significance. Perhaps with something or someone specific in mind. When did he ever talk rubbish, without something or someone specific in mind? Never!"

#### **Zhang Baifa Is Making No Progress**

Two other characters in the new team in Beijing are also worth mentioning. One is Zhang Baifa, one of the deputy mayors, who has worked under four administrations; the other is Wang Daming, newly appointed chairman of the Beijing Municipal People's Political Consultative Conference.

Because of the success of the 1990 Asian Games as well as the efforts to win the right to host the 2000 Olympic Games, the name Zhang Baifa has become known to almost everyone. This steel bender-turned mayor is really a strange talent in China's political arena. Those who, like him, started political career because of their model worker status—such as Li Ruihuan and Ni Zhifu—have all, to some extent, acquired an official facade; but only Zhang Baifa has not changed his ordinary-people qualities. He is a man of action; Beijing acquired a new face during the twelve years when he was in charge of the urban construction of the capital. He also has good connections. He established an effective and extensive network of connections in the circle of high-ranking officials, relying on his folk-hero courage and loyalty.

However, because of various complicated factors, including his habit of mincing no words in speaking out his mind and thus often offending people, Zhang Baifa has made no progress in his political career during the twenty years since he was promoted to the position of deputy minister at the age of thirty-nine, and can move neither up nor down.

According to a source, at the time of electing Central Committee members at the 12th CPC Congress, Hu Yaobang said: "Zhang Baifa has been overlooked." At the 13th CPC Congress, Zhao Ziyang again indicated that next time Zhang Baifa must be given a place. But, at the 14th CPC Congress, Zhang Baifa was still denied a place. Li Ximing even gave back the additional designated seat at the party Central Committee which the center gave Beijing specifically for that purpose, by citing the reason of difficulty in getting the relevant plan accepted. As a result, during the 14th CPC Congress, members of not only the Beijing delegation but also the Tianjin, Hebei, Shandong, and Sichuan delegations all expressed unhappiness at Zhang Baifa's failure to enter the Party Central Committee.

Fortunately, Zhang Baifa is not obsessed about his political career, and has said many times that he does not

care about nice-sounding titles and is only interested in doing real work. This time, he was reelected a ruling official of the capital, receiving a huge number of votes; among the eight deputy mayors, he received the most votes. According to a source, the center has agreed to grant him privileges and benefits normally given to a full minister. If Beijing wins the right to host the 2000 Olympic Games, then Zhang Baifa's future will become even brighter. He will be remembered for hosting an important Asian sports meet (the 1990 Asian Games), and an important world sports meet (the 2000 Olympic Games).

Zhang Baifa started from the grassroots level, and has deep roots among ordinary people. He is open-minded and a man of action, and is therefore a powerful figure in the power structure in Beijing. In the position of an official having worked under four administrations, he has, to some extent, played the mediating role in the process of transition.

**Deng Xiaoping's Bridge Partner Wang Daming Assumes His Position at the Municipal People's Political Consultative Conference**

As Wang Daming has assumed the position of chairman of the Beijing Municipal People's Political Consultative Conference, the People's Political Consultative Conference, one of the five teams in Beijing, may play a new role.

Wang Daming has worked in Beijing for a long time. One aspect of his background is not widely known: since the early 1960s, he and such officials as Wang Hanbing and Ding Guangeng have been Deng Xiaoping's "little bridge partners." Their intellectual contest at the bridge table has lasted to this day.

During the 1980s, Wang Daming was for a time an official of the municipal party committee in charge of industry in Beijing. He, clear in his thinking about reform, was the first to raise the issue of transforming the operating mechanisms of the large and medium-sized state enterprises, and was praised for being "an enlightened person." During that period, he was the most successful in his political career; and he was promoted to the position of deputy director of the Propaganda Department of the CPC Central Committee. At that time, Deng Liqun was in charge of ideological affairs. Wang Daming could not display his talents in the controversy-filled sphere. Shortly afterwards, he returned to Beijing because of illness. At the end of 1987, Wang Daming was defeated in the more-candidates-than-seats elections for members of the Standing Committee of the Beijing municipal party committee, and was thus appointed deputy chairman of the municipal people's political consultative conference.

During the four years of "hiding" at the municipal people's political consultative conference, Wang Daming organized several important projects of investigation and study relating to economic issues in a persistent manner, and put forward a series of good ideas. Last

year, the investigation report on product quality completed under his leadership aroused great attention on the part of Zhu Rongji, and thereby helped start last year's nationwide campaign against counterfeit goods.

Wang Daming has always been known for his emancipated mind and his being strongly reform-minded. In early 1991, when Li Ximing launched repeated attacks on peaceful evolution at meetings of the municipal party committee and municipal government, Wang Daming expressed his dissenting views in a clear manner: "There should be no fight against liberalization in the economic sphere." In early 1992, Wang Daming, as head of a group of members of the Beijing Municipal People's Political Consultative Conference, conducted an investigation tour at Guangdong, Shenzhen, and Zhuhai, just around the time when Mr. Deng made his remarks during his southern inspection. After returning from the south, Wang Daming immediately stirred up the Deng storm at the April session of the Beijing Municipal People's Political Consultative Conference; he spoke out, arguing that Beijing's main task was to criticize "leftism."

**Chen Xitong Entrusts Wang Daming With Important Tasks**

According to a source, originally, Chen Xitong wanted to make Wang Daming chairman of the Standing Committee of the Beijing municipal people's congress, but later gave that position to Zhang Jianmin, alternate member of the CPC Central Committee and formerly executive deputy mayor. It can be expected that in the future Chen Xitong will entrust Wang Daming with important tasks, because he is the best among the high-ranking officials of Beijing in terms of both theoretical knowledge and practical capabilities. It seems that Chen Xitong also intends to give play to the Municipal People's Political Consultative Conference's role as a think tank, with the help of Wang Daming.

**Article on 'Invincibility' of Marxism**

92CM0270A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese No. 3,  
11 Mar 93 pp 12-15

[Article by Chen Xianda (7115 0341 6671): "Marxism Is Invincible"]

[Text] Zhou Enlai's clarification during the First Five-Year Plan of the idea of anti-conservatism and anti-radicalism from the perspective of "one change and two reforms," carried a deep scientific understanding of the conflicting operation of the productive forces and production relations, and had great theoretical significance and immediacy. In particular, his criticism of the tendency to rash advances in the socialist transformation of the ownership of the means of production based on the productive forces determining production relations, radiated with truth in every word and line. While his idea had not been implemented since the last half of 1955, it was certainly the precedent for the theory of the



initial stage of socialism proposed by the 13th CPC Congress and adhered to by the 14th CPC Congress.

Marx died on 14 March 1883, and his remains have laid in London's Haight Cemetery for 110 years now. It might well be said that the dead Marx, in comparison to the ill and poverty-stricken living one with his head buried in writings in the British Museum, has been even more of a shock and headache for the whole old world order. In the last 100-plus years, the rise of the proletarian revolutionary movement, the establishment of a series of socialist countries, and the ideological attacks on old economic, political, and philosophical theories, have all been closely linked to the emergence and transmission of Marxism. It could be said that Marx's influence can be found everywhere on our globe.

While the 19th century was the age of the emergence and transmission of Marxism, and the first half of the 20th century was the time of its victorious practice, Marxism has encountered increasingly severe challenges during the last half of the 20th century, particularly the sudden changes in the Soviet Union and East Europe in the late 1980's, which have sent the preservers of the old order into raptures of raising their glasses to celebrate the "death" of Marxism.

But Westerners with even a little foresight do not see it this way. The WALL STREET JOURNAL correspondent Meyers published an article just a year after the Soviet Union-Eastern Europe incident entitled "Marx's Influence Is Not To Be Underrated," and the MOSCOW NEWS REPORT recently ran one called "A Ghost Is Again Wandering About Russia." This shows that genuine Marxist warriors have certainly not been frightened into silence, and that Marxism has not disappeared from the scene. While difficulties certainly exist, they are like the long winter before the arrival of spring. U.S. Colorado University Professor M. Marabor said in *The Renewal of U.S. Marxism* that: "We must dare to have historical imagination and be bold Marxists. If we can do this, then the so-called death of socialism in 1989-1990 will inevitably one day rise from the ashes in rebirth just like the phoenix."

Right! We must dare to be Marxists.

Marxism must not perish, and this is absolutely not simply an unfounded and hollow cry. As long as capitalism exists in the world and remains what it is, Marxism will have a *raison d'être* and most solid foundation, as it emerged precisely to eliminate the defects of capitalism. Marx and Engels created and were able to create Marxism in the 1840's precisely because the bourgeois and petty-bourgeois socialism and the critique of utopian socialism of the time was out of line with proletarian interests and was unscientific. In the last century or so, while capitalism has undergone changes and acquired many new features, the bottom line remains that it is still capitalism, and its basic social conflicts and class relations have certainly not changed. In thoroughly criticizing capitalism, and in making a

penetrating analysis of the nature, operating forces, and prospects of the bourgeois lifestyle, Marxism remains effective. Thus, as long as capitalism exists, all attempts to "eliminate" the Marxism that scientifically exposes the defects of capitalism will certainly be in vain.

As long as capitalism exists, socialism as a system and an ideal will not disappear. The changes in the [former] Soviet Union and East Europe were setbacks suffered by socialism in certain countries, not the disappearance of socialism as a social system. Former Hungarian Premier Focke Jenő said in a speech that "it is certainly not Marxism and Marx's ideas that have failed, but rather the practice of them." To be sure, the failure of socialism in the former Soviet Union and Eastern Europe was not a failure of the theory of scientific socialism, but rather one of practice. The failure was due not to the Marxist order, but rather precisely to its violation.

In the long and great historical process of transition from capitalism to socialism, setbacks or reverses to the practice of socialism in certain regions or countries certainly do not mean that the theory of scientific socialism and the socialist system have failed. As long as capitalist polarization, exploitation, poverty, and inequality exist, the striving to eliminate exploitation and repression and the ideal of getting wealthy together will continue. As socialism is the inevitable end-result of the development of capitalism, human society will eventually, sooner or later, in some form or another, become socialist. This is something that no one can change.

While Marxism cannot disappear, it must develop and adapt to contemporary realities to become modern Marxism. This means that we must combine Marxism with China's realities, through which process of integration we creatively advance Marxism. We must resist the Western Marxist attempt to reinterpret Marxism. George Lairs says that: "In eliminating the problems in Marx's works, it is necessary neither to arbitrarily confirm the exact essence of Marxist theory or fundamentally and systematically revise Marxism, but rather only to establish a new balance of the same key factors, of which some are explicit in Marx's works, and others can be deduced from the common logic of Marxist ideology. Eliminating the problems will also mean changing certain emphases and excluding certain improper interpretations." (*Reconstructing Historical Materialism*, China Social Sciences Publishing House, 1991 edition, p 15) Western Marxists seize on individual categories or pick out particular phrases in Marx and Engels' works to build a so-called "Marxism" that is essentially different from Marxism, which is not a development, but rather a dismemberment. The Marxism that we must adhere to is that which is integrated with the realities of all countries. Comrade Deng Xiaoping's theory on developing socialism with distinct Chinese characteristics is an excellent example of a creative advance for Marxism. This theory not only proves the invincibility of Marxism, but also sharply enhances the prestige of socialism through practice. The thriving state of socialism in a land

area of 9.6 million sq km proves most vividly the invincibility of Marxism and the vitality of socialism.

As Marxism develops through struggle, various difficulties in its course of development are unavoidable. But while Marxist development has never been smooth sailing, the whole history of Marxist development shows that the difficulties are merely temporary. The difficulties can and must be overcome, as it is only the existence of difficulties that necessitates finding ways to resolve them. So the greater the setbacks for Marxism, the greater the inevitable consequent development. The emergence of Leninism in the late 19th century is a precise expression of this law.

Lenin stepped into the political arena in the midst of the so-called Marxist crisis created by people, such as Bernstein. Lenin adhered to and defended Marxism, boldly countering the challenge of the Second International revisionists. In 1899, just as Bernstein was dishing out his *Future of Socialism and Duties of Social Democratic Party Members*, the banished Lenin was conducting a just resistance in his *Letter of Protest Against Russian Social Democratic Party Members*. Lenin said: "We absolutely do not regard Marxist theory as an unchangeable and sacred inviolable thing. On the contrary, we deeply believe that it merely lays the foundation for a science. If socialists do not want to lag behind reality, they should advance this science on all fronts. We believe that Russian socialists particularly need to independently explore Marxist theory, as it provides only general guiding principles, whose particular application differs in England, France, Germany, and Russia." (*Selected Works of Lenin*, vol 1, p 203) It was precisely because Lenin took a progressive, independent-exploration, and specific-application stance, that he was finally able to overcome the many difficulties created by the Second International revisionists, creatively advance Marxism, and win the great victory of the October Revolution.

The difficulties that we are facing now differ from those faced by Lenin. Since the beginning of the 1950's, the major capitalist countries have recovered from the wounds of the Second World War and developed rapidly. The new scientific revolution and economic prosperity seem to be heralding the arrival of capitalism's "second spring." Meanwhile, socialist countries were firmly entrenched in old systems, not conducting prompt reforms to adapt to the scientific revolution and the need to develop their productive forces. Particularly since 1956, when Khrushchev completely negated Stalin, which gradually evolved into a total denial of Marxism, socialism has been on political and moral trial by capitalism. The reappraisal of the relations between capitalism and socialism and the lessons learned from socialist development experiences have brought doubts about, wavering from, and abandonment of Marxism. The ones who used to say that Marxism was actually dogmatism in particular, are attacking Marxism with the approach of a penitent kneeling before God.

While history cannot repeat itself, laws remain the same. While capitalism is in a stage of peaceful development and revolution is temporarily silent, so that wavering and betrayal will reappear, this is merely an episode, not the whole, of the historical development process. As the final historical result will be that socialism replaces capitalism, and not vice versa, this law is the determining factor in the invincibility of Marxism.

Marx was a man and a scientist, not a god or a prophet. So it is absolutely not strange that developing times will increasingly bring phenomena that Marx never saw or predicted. This leaves understanding new phenomena and solving new problems a mission for Marxist successors. While Deng Xiaoping's theory of developing socialism with distinct Chinese characteristics is a contemporary development of scientific socialism, the one who laid the foundation for this science was Marx, whose achievement will remain immortal.

## FINANCE, BANKING

## TANGTAI Views RMB Exchange Rates, Convertibility

## Economic Impact of Devaluation

93CE0399A Hong Kong TANGTAI [CONTEMPORARY]  
in Chinese No 24, 15 Mar 93 pp 70-71

[Unattributed article: "Devaluation of the RMB [renminbi] Will Hardly Stimulate the Economy—Currency Devaluation Can Be Only a Tactic, Not a Long-Range Policy"]

[Text] While the impact on the mainland Chinese economy of the recent sharp devaluation of the RMB [renminbi] black market price will not be clear for a while, the historical experience of RMB devaluation shows that devaluation generally has a greater positive than negative impact on China's national economy (See attached table).

**Table: The Impact of Devaluation on China's Economy**

## I. Foreign Trade:

1. Trade:	Growth of Exports	+
	Curbing of Imports	+
	Technology Imports	-
2. Nontrade:	Growth of Tourism	+
	Increase in Overseas Remittance	+
	Increase in Foreign Currency Exchange Receipts	+
	Growth of Labor Contracting	+
	Growth of Imported-Material Manufacturing	+
3. Capital Dealings:	Attraction of Direct Investment	+
	Foreign Borrowing	0
	Repayment of Capital With Interest	-
	Short-Term Capital Inflow	-
4. Overseas Response:	International Financial Institutions	0
	Trading-Partner Countries	0

## II. Domestic Economy:

	1. Growth of Import-Substitute Industries	+
	2. Domestic Price Stability	-
	3. Curbing of Capital Construction	+

	4. Reduction of Financial Subsidization of Exports	+
	5. Curbing of Foreign Exchange Black Market	+
	6. Psychological Impact	-

Note: + Equals Positive; -Equals Negative; 0 Equals No Impact

Despite this, mainland academics still do not generally endorse the use of currency devaluation to stimulate economic growth. BOC [Bank of China] Financial Studies Institute Director Wu Nianlu [0702 1819 7626] points out the following five reasons for this:

While the aim of a currency devaluation policy is to encourage exports and limit imports, China has very little flexibility in its foreign trade commodities, with exports being mostly primary products and light textiles, which have little competitive might, and imports being mostly technology and essential equipment and commodities, which have to be imported for economic development, so that deliberate devaluation of the RMB is of no particular advantage to China.

As to the price impact, currency devaluation raises import costs, with prices increasing if import prices are freed, and financial subsidization of imports increasing, raising expenditures, if import prices are not freed. Meanwhile, when currency is devaluated, some export profits go up, causing higher-priced domestic purchasing and lower-priced overseas wholesale marketing, not only raising domestic export prices, but also further deteriorating terms of trade.

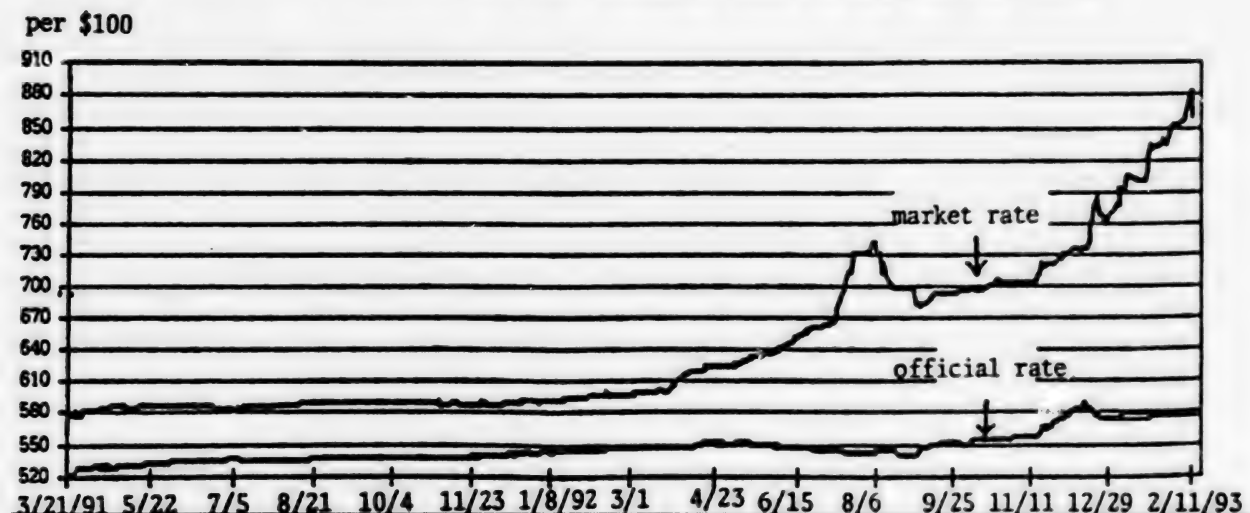
As to foreign trade, as long as China's domestic prices have not been rationalized, deliberate devaluation of the RMB is bound to have an impact on China's nontrade earnings. While RMB devaluation gives tourists, foreign diplomatic and consular staffs, and delegation members more RMB, so that they can buy more things and spend less foreign exchange, this appeal is "limited in degree" as, other things being constant, sharp RMB devaluation reduces China's foreign exchange earnings.

As to China's capital construction, the four modernizations require the import of advanced technology and equipment, while currency devaluation raises import costs, making capital construction investment higher and hard to control.

A currency devaluation policy requires better economic conditions as follows: 1. Only with a rational import-export mix and greater foreign trade flexibility can devaluation have the impact of increasing exports and reducing imports. 2. Enough inflation sustainability and assimilation is necessary to keep the higher domestic prices brought by devaluation from impacting domestic economic growth.



Gap between RMB's official and market exchange rates during past two years.



Currency devaluation can be only a tactic, not a long-range policy, as it has only a temporary impact in stimulating exports. In both theory and practice, currency devaluation is bound to cause higher domestic and lower overseas prices for exports, which quickly evaporate its export advantages, unless devaluation is constant, which sharpens inflation and actually accomplishes nothing.

In order for a country's currency to be convertible, it must be equipped with the following conditions:

Commodities must be "convertible," i.e., all commodities should be able to be freely bought and sold on the country's domestic markets. China's economy is still essentially a centrally-planned one, with a sizeable part of product production, pricing, and some sales determined by state planning. Not only are capital goods distributed through planning, but even some consumer goods cannot be bought at will due to short supplies. This means that holding the country's currency does not necessarily enable one to buy commodities and labor on the country's markets. Such commodity "inconvertibility" makes currency convertibility impossible.

There must be a rough balance of international payments. While countries with market economies often do not have a balance of international payments, they can reduce or eliminate this imbalance through exchange rates adjustment. But in countries with centrally-planned economies, exports often are lower than imports, making a foreign exchange balance impossible, while an automatic adjustment mechanism for overseas payments is lacking.

There must be an open foreign exchange market, so that the country's currency exchange rates can reflect the supply and demand relations with foreign currencies. The country must hold enough foreign exchange reserves so

that it can sell on markets when foreign exchange demand rises, in order to maintain exchange rates stability.

The government must practice sound monetary and fiscal policies. For instance, if the money supply grows too fast and sets off price rises, people will competitively convert to foreign exchange, which quickly devalues the country's currency.

#### Depreciation Unlikely in Near Future

93CE0399B Hong Kong TANGTAI [CONTEMPORARY]  
in Chinese No 24, 15 Mar 93 p 67

[Article by Wan Li-hsing (8001 6849 5887): "The RMB [renminbi] Is Unlikely To Depreciate Further in the First Half of 1993"]

[Text] As the unofficial RMB [renminbi] price (exchange rate) (including black market and conversion rates) has been depreciating sharply in 1993, pushing the gap between the official and unofficial exchange rate up to a high of more than 30 percent, the official exchange rate has been under great depreciation pressure. Will the official exchange rate actually fall sharply? This has become a question of concern to all in Chinese trade circles.

Since April 1992 (when the NPC [National People's Congress] approved the acceleration of China's development pace), China's import turnover has risen steadily, bringing increased demand for the U.S. dollar. While the exchange rate had reached a high of 8 yuan RMB to the dollar by early February 1993, down 33 percent from its April 1992 level, the official rate had been fine-tuned during that period to only 5.8 RMB to the dollar (5.76 RMB to the dollar). Such conditions quite naturally lead to hopes for a sharp depreciation in the official RMB exchange rate. In addition, the PRC's application for reentry to the GATT brings an even greater sense of urgency about RMB depreciation.

But a review of overall trade conditions shows that there is certainly no need for RMB depreciation in the short

term (six months). First, as China's 1992 foreign trade surplus enabled it to accumulate a \$10 billion surplus in its "running" balance of international payments, in addition to its large 1992 capital inflow, which pushed its reserves up to a high of \$42 billion, or enough to back up seven months of imports, depreciation is certainly not urgent from an international balance of payments perspective.

Another negative factor in current RMB depreciation is the need to consider the U.S. stance. China's current trade surplus with the U.S. has reached a high of \$18 billion (1992), second only to Japan's trade surplus with the U.S. Further depreciation of the RMB under such conditions necessitates consideration of the U.S. stance.

But from the angle of China's internal reform and opening pressures, RMB depreciation (devaluation) may be a tactic that China will have to employ in the long run as follows: 1. If the RMB long remains at its high exchange rate (with a current gap of already more than 30 percent between the official and unofficial rates), which is a negative factor in achieving RMB convertibility, this will remain an obstacle to China's practice of a market economy. 2. If the official RMB exchange rate is not lowered, many state enterprises will be able to continue to buy foreign exchange at an actually subsidized rate, as they will not have to pay the true foreign exchange price, meaning that the government will be unable to force them to upgrade their operations and improve their efficiency. This would also be obviously out of line with the objective of converting enterprise operating forces.

GATT membership should have a neutral impact on the RMB exchange rate. While the GATT requires all member nations to practice a single exchange rate, this is merely a long-range commitment for member nations, certainly not mandating that all member nations have a single exchange rate at the time of their entry to the GATT. So devaluation in 1993 will certainly not be obviously affected by China's request for GATT membership.

In summing up this analysis, I believe that in the long run (after six months), the RMB is likely to depreciate, and not less than 20 percent, but that it is hard to judge whether this will actually occur through the method of "all the way in one step," or in the form of "completion in many steps." But it is unlikely to depreciate in the next six months due to the following:

1. China is going to have to implement the "301" provisions it agreed to with the U.S. in November 1992, to allow more U.S. goods into China's markets and reduce China's trade surplus with the U.S., which will reduce overseas pressure for further RMB devaluation.
2. It is projected that even if China receives GATT membership in 1993, it will not be until the end of the year, at which time it can announce RMB devaluation to express its sincerity in meeting its single-exchange-rate commitment.

### BOC Official on Convertibility

93CE0399C Hong Kong TANGTAI [CONTEMPORARY]  
in Chinese No 24, 15 Mar 93 pp 72-73

[Article by BOC (Bank of China) Financial Studies Institute Director Wu Nianlu: "When Will the RMB [renminbi] Become Convertible? The RMB Exchange Rate Is Unrealistic and Clearly Set Too High, Causing Increasingly Severe Negative Phenomena"]

[Text] As China's economic reform steadily intensifies, RMB [renminbi] exchange rate conflicts are being constantly more sharply exposed, which is bringing both Chinese and foreigners to pay closer attention to RMB convertibility.

### The Negative Impact of RMB Inconvertibility

The RMB exchange rate has lost its regulatory function. While an exchange rate is a relative price, so should function as a regulator of a country's running balance of revenue and expenditure, China's strict foreign exchange control keeps the RMB inconvertible, so that the RMB exchange rate has lost its function as a regulator of running revenue and expenditure, and turned into an accountants' accounting index.

Monetary relations are quite chaotic. The inconvertibility of the RMB and the setting of too high exchange rates create sharp chaos in monetary relations, mostly as follows: 1. China now actually has several exchange rates, such as the official list price (rate), the foreign exchange conversion rate, the export loss-subsidy rate, and the SEZ market dual-currency rate. Such multiple exchange rates are likely to engender corruption and poor efficiency, as well as affecting a rational disposition of resources. 2. China's circulation is subject to the phenomenon of simultaneous circulation of RMB and foreign exchange certificates (FEC), as well as that in certain zones of other currencies, such as the U.S. dollar, the Japanese yen, and the Hong Kong dollar, which weakens confidence in the RMB. 3. Black market foreign exchange transactions are rampant, presenting a challenge to RMB credibility, causing a severe phenomenon of "the substitution of cash for exchange," and creating great losses for national overseas remittance income.

Foreign trade growth is obstructed. Under foreign exchange control, the RMB exchange rate is always set by the financial (banking) authorities. As it is hard for them to set a rational rate, it is always either too high or too low, so unable to reflect foreign exchange supply and demand conditions. As the RMB exchange rate has always been set too high, sapping export-enterprise initiative and restricting commodity exports, China's exports have grown year after year, but much less than those of other countries. China's share of world export trade was still less than 2 percent in 1987.

Overseas fund inflow is curbed. While the World Bank estimates that China will need to attract \$50 billion in



foreign investment during its Eighth Five-Year Plan, as well as needing tens of billions of dollars more for Pudong's development, China is now attracting little foreign investment at a slow rate in which, in addition to a less than ideal investment climate and environment, foreign exchange control is also a key factor. While foreign investors must raise and borrow on their own foreign exchange for needs, such as importing equipment, components, and raw materials, it is hard for them to send abroad the RMB that they earn within China's borders, so that a foreign exchange imbalance has become a common problem for the three kinds of foreign trade enterprises. This has a sharp impact on foreign investment initiative.

### Realizing RMB Convertibility in Three Phases

Phase 1. A dual-market method for RMB exchange rates.

In the first year of the Eighth Five-Year Plan (1992), there were two parallel foreign exchange markets, the official one and the conversion market. The official market practiced targeted control of exchange rates, setting target levels or fluctuation parameters for the rate of exchange of RMB to foreign currencies. On the conversion market, exchange rates were determined by market supply and demand, forming an RMB market exchange rate. This plan had the following advantages: 1. Buying and selling was free, so that exchange rates reflected foreign exchange supply and demand conditions; 2. As the exchange target was not foreign exchange per se, but rather exchange settlement certification, it controlled the arbitrary use of exchange and fund outflow; 3. As export firms acquired RMB funds that existed on markets, banks were kept from increasing cushion-fund investment due to foreign exchange purchases, which helped to control currency issue.

Phase 2. China began in 1993 to further open up its foreign exchange market and unify its exchange rates, by establishing an operating system combining planned economy and market regulation, in order to make the transition from a dual exchange rate to a uniform one. This phase is characterized mainly as follows: 1. The foreign exchange conversion market becomes a free foreign exchange market, unifying national exchange rates; 2. While exchange rates are determined by market foreign exchange supply and demand relations, exchange rate volatility remains regulated; 3. The government sets up a foreign exchange stabilization fund, so that it can exercise official intervention in the foreign exchange market through buying or selling foreign exchange on it; 4. Monetary policy is used to affect exchange rates, such as adopting a deflationary or inflationary monetary policy to affect exchange rates, in order to achieve the objectives of improving the international balance of payments and stabilizing exchange rates.

Phase 3. In the last three years of the Eighth Five-Year Plan, the various foreign exchange restrictions will be gradually eliminated, making the RMB a convertible currency within China. Foreign exchange transactions

will not be restricted as to sources, amounts, qualifications or, within targeted parameters, rates, with both parties having complete freedom of choice without government interference in foreign exchange supply and demand.

This shows that making the RMB a convertible currency within China will require the following: 1. A complete opening up of foreign exchange markets, so that all units and individuals can buy or sell foreign exchange on foreign exchange markets; 2. No unit or individual will have to sell foreign exchange to the state, and the state in turn will not provide foreign exchange to any unit or individual; 3. Within macroeconomic control target parameters, exchange rates will be determined by supply and demand relations on foreign exchange markets.

### Interest Rate War Called Bad Policy

93CE0478B Beijing JINGJI RIBAO in Chinese  
19 Apr 93 p 1

[Article by staff reporter Sun Yong: "Interest Rate War: The Worst Policy"]

[Text] In the recent period, there have been a series of unusual developments in the financial sector:

The financial institutions of Hunan Province formulated the Hunan Province Industry-Wide Covenant on Savings Deposits to suppress the vicious savings war carried out by banks of some prefectures and cities of the province through competitively raising interest rates; the People's Bank of Henan Province issued an emergency circular, asking the financial institutions to immediately stop introducing interest-rate rises without approval or in disguise; Zhejiang Province put a "harness" on fund-raising activities in society, emphasizing that fund-raising activities should be carried out with the approval of the competent financial authorities; the task force in charge of securities regulation of Chongqing Municipality investigated, and took necessary corrective and other actions in relation to, the case of unauthorized issuance by the Guoguang Consortium (Group) of Chongqing of "internal bonds with floating interest rates"...

All this in fact reflects a reality: Uncontrolled activities of fund raising and the competitive raising of interest rates have seriously disrupted normal financial order, and the interest rate war has brought about a serious consequence—vicious competition.

There is no winner in this vicious war. As for the banking industry, the interest rate war has directly brought about rising costs of funds and the abnormal "diversion" of savings deposits; thus, in the end, it can only "suffer the self-inflicted pain." As for the enterprises, they have had to face unnecessary risks to their credit-worthiness with other businesses because of unauthorized activities of fund raising; they may even thereby ruin their own images. Raising funds at high interest rates in violation of the regulations also increases the enterprises' business risks and operational difficulty. As for the investors, they

cannot but feel worried about whether they can get back the capital and secure the interest payments on time. For uncontrolled activities of fund raising are not based on adequate credit-worthiness; investing money in this way is like throwing money into a "bottomless pit." The state is certainly the biggest loser, because it is difficult to restore economic order once disrupted. An obvious example in this regard was the difficulty in issuing state bonds this year. The main reason was that with interest rates of the funds raised being high and with the bond market in chaos, the "gilded-edged" bonds lost their luster.

Interest rate war is a vicious "price" competition on the financial market, and should not be made use of at all. But, such a situation happened in the process of developing socialist market economy under the slogan of "market regulation of interest rates." This touches upon a critical issue in financial reforms: How should the practice of market regulation of interest rates be introduced?

The direct cause of the interest rate war was the shortage of funds. As a result of the shortage, the scramble for funds led to repeated rises in "prices." This also reflects some problems in the banking system. The interest rate war in Zhenzhou City, Henan, has stopped (according to a newspaper, interest rate reached 17.1 percent at that time), but the various specialized banks have different opinions. According to one representative opinion, if the specialized banks are permitted to become commercial banks and if banks are considered financial enterprises, then it is impossible to prevent interest rates from being regulated by the market and keep them unchanged. Interest rates should be controlled, but the method must change.

Nevertheless, in the process of transforming the economic structure, the practice of market regulation of interest rates can only be introduced gradually, but not in one step, under the circumstances characterized by complicated economic relations and low economic efficiency. When there is an acute shortage of funds and when price relationships have not been totally made right, lifting controls on interest rates cannot but mean allowing the price of funds to rise sharply. On the other hand, as the operation of the banking enterprises and fund raising are becoming market-oriented, there will inevitably be demand for the rise of interest rates. In the face of such a situation, it becomes wise to appropriately adjust the interest rates of deposits and loans. From the perspective of future development, to enhance the role of interest rates in regulating the economy, it is necessary to gradually lift controls on interest rates in the process of economic development, so as to gradually introduce the practice of market regulation of interest rates in a stable economic environment, finally resulting in a situation where interest rates are determined by market demand. According to some experts, such a market-based interest rate system, should consist of the prime rate set by the central bank, floating rate, market rate, industry-specific rate, and preferential rate. It is also necessary to give play

to the role of the interest rates as an economic lever through different rates in different industries.

The occurrence of the interest rate war also highlights the importance of accelerating the development of financial laws and regulations. Although the Savings Regulation Statute has been promulgated, and although the central bank has already issued explicit rules on interest rate regulation, the policies on interest rates have been violated repeatedly. This points to the other side of the problem: It is difficult to formulate laws and regulations; it is no less difficult to enforce the laws and regulations. Lax, lenient enforcement of the laws has made it easier for violations of interest rate policies to occur. This is not only unhelpful to the maintenance of normal financial order, but also harmful to the interests of the large numbers of investors.

We often say that banks should exercise effective control over the two valves of lending and currency issuance, and should never lose control. This is correct. However, we should not start trying to solve the problems only after the problems have come to the last valve. Such a practice is defective because it is prone to cause social disturbances, resulting in large economic fluctuations. The best way to solve a problem is to eliminate the problem in the embryonic stage. Therefore, the series of measures adopted in the financial sector in the recent period are really wise ones.

## FOREIGN TRADE, INVESTMENT

### Ways To Expand, Improve Overseas Investment

93CE0457A Beijing GUOJI MAOYI [INTERTRADE]  
in Chinese No 3, 15 Mar 93 pp 30-31

[Article by Yang Huaiyu (2799 2037 1342) and Gao Lihua (7559 7787 5478), Department of Investment, Zhongnan Caijing University: "Draw on the Experience of Developing Nations' Multinationals To Expand China's Overseas Investment"]

[Text] The 15 economic reform measures announced by the State Council in 1979 explicitly allow Chinese companies to set up enterprises overseas, thereby giving the green light to China's overseas investment as well as the importation of foreign capital. Since 1986 China has made substantial progress in overseas investment. By late 1991, almost 2,000 overseas enterprises (excluding those in Hong Kong and Macao) had been set up in 106 nations and regions with a combined investment of \$1.6 billion. Of these 2,000 enterprises, over 800 are trading companies and 1,008 are nontrading companies. Chinese overseas investment has been growing rapidly at the average annual rate of 120 percent, higher than that of developing nations and even some developed nations. Still, China's overseas investment remains in its infancy, hampered by a small scale, limited geographical distribution, and low production capacity. As a developing nation, China would do well to draw on the experience of

the multinationals of other developing nations in overseas investment, emulating their strengths and eschewing their shortcomings.

### 1. The Experience of Multinationals of Developing Nations in the 1960's and 1970's

1) How to emulate their strengths and eschew their shortcomings, select the right investment focus, and put comparative advantage to work.

#### *Multinationals of Developing Nations: Choosing an Advantage*

According to the theory of comparative advantage, a nation should export those goods enjoying a comparative advantage. To invest overseas and to appeal to a prospective host nation, a multinational must possess those advantages suited to the host nation and provide technology and goods that will facilitate economic development in the latter.

Multinationals of developing nations burst into life in the 1960's, grew to a substantial scale in the late 1970's, and have now earned themselves a spot in the global economy and world politics. The rise of multinationals can mainly be explained by the fact that these enterprises made the most of their comparative advantage and provided countries which received the bulk of their investment dollars—other development nations like themselves—with "appropriate technology" and "appropriate products."

The multinationals of developing nations have three relative element advantages:

a) The application of small-scale production and adoption of labor-intensive technology.

This sort of technological advantage is the product of the particular economic environment of the country where the enterprise is located. The vast majority of developing investing nations are economically backward and have limited financial or technological resources, occupying the third rung of the global economic pecking order. Small-scale production requires only limited inputs and low managerial costs and helps a multinational save money. Because of their economic standard, developing nations do not have a massive domestic demand or a high level of new technology. Often what they could do is to import some of the more advanced technology from a developed nation and then modify it for use in other comparable developing nations. This is consistent with the transfer of a product from a more industrialized nation to a less industrialized one as it moves through the process of innovation through maturation to standardization. The flexibility of small-scale production, moreover, would help open up even more markets in the developing world.

That the small-scale technology of the multinationals of developing nations has become an advantage mainly because it has succeeded in "bridging the gap" between two markets. To developed nations, this technology has

become obsolete; they have no more use for such low-value investment, which in effect means fewer competitors for the multinationals of developing nations. As for the developing nations which receive the investment, this kind of technology is a good match for their level of technology and economy and has a high degree of applicability. Another characteristic of labor-intensive technology is that it provides ample job opportunities and is therefore very attractive. As a result there is an enormous potential market for it in comparable and even more backward developing nations.

b) Use local resources and special products (parts and components) extensively as a unique input.

The multinationals of developing nations do not command the kind of new technology available to their counterparts in developed countries, so they fall back on the high-quality raw materials and special materials at home. Meanwhile their effort to import from developed nations is coming under more and more stringent restrictions. Fully utilizing local resources and special products offers these advantages: 1) It solves the problem of resource scarcity at home. The low level of technology at home also means that it cannot produce enough to meet demand. 2) It eliminates the need to import technology from industrialized nations, which would mean savings in funds. 3) Using local resources and special products as production inputs is a capability in production and development. As a special form of knowledge used in the production of a certain product, it can be applied in other developing nations facing similar problems. In essence such innovation is a patent and can be considered a technological profit.

c) As its marketing and sales strategy, the multinationals of developing nations take pains to corner a market by pricing low and keeping in touch with old customers.

The multinationals of developed nations try to impress customers with the novelty of their products by advertising and enhancing public awareness of trademarks. The multinationals of developing nations, in contrast, eschew this sales strategy; in any case, they cannot afford a large advertising budget. Instead they often seek to keep prices low by using low-cost small-scale production and local inputs. The idea is to capture the market in many developing nations.

At the same time, they are careful to use long-time customers to build up even more overseas markets. One approach is to take advantage of the ties it has established in the course of their domestic operations with some key customers, particularly enterprises from developed nations, in order to secure opportunities to do business with the subsidiaries in other nations of the multinationals of those nations. In the second approach, a multinational would manufacture products overseas and then export them to their longstanding customers in developed nations with whom they have already been doing business, thereby getting a foothold on the market of those nations.



*The preferred form of investment ownership among multinationals of developing nations: joint ventures.*

Ninety percent of the overseas subsidiaries of the multinationals of developing nations are joint ventures, in most cases with a partner in the host nation. A joint venture offers the following advantages: 1) A high degree of flexibility. A joint venture can be a partnership between shareholders or a contractual partnership. A partner's investment can consist of funds, equipment, machinery, raw or supplementary materials, or technological patent. The joint venture offers both parties many advantages. For the investing nation, a joint venture can help it save on fund inputs and reduce the risk of investment by utilizing local resources. For the host nation, a joint venture enables it to import more advanced technology and equipment, so it often waives or cuts tariffs for a joint venture as a sign of welcome. 2) Capitalizing on its partner's knowledge of local conditions and sales network, a multinational can quickly enter the local market. Ethnic ties are often the basis for choosing a partner by the multinationals of developing nations in Asia, that is, a company may choose a firm owned by a national of the same country living overseas. For instance, when Hong Kong, Taiwan, and Singapore companies invest in Southeast Asia, they often pick Chinese as their partners because ethnic ties and a common historical and cultural background facilitate communication and cooperation. Ethnic ties have provided the multinationals of developing nations, particularly those in Southeast Asia, with good partners for cooperation for their joint ventures. 3) They can fully utilize their partner's political, social, and economic connections. Many developing host nations do not regard joint ventures with local partners as foreign enterprises, which means the joint ventures are entitled to various preferential treatments reserved for nonforeign enterprises.

The overseas investment strategy of the multinationals of developing nations which had their rise in the 1960's and 1970's can be summed up as follows: Utilize technology at the low end and middle of the scale to develop small-scale and labor-intensive manufacturing industries. Use joint ventures to nurture the markets in developing nations. Provide appropriate technology and products. Gradually build up a diversified market and keep breaking into the markets of developed nations. This strategy has proven to be feasible.

2) Things multinationals should take note of while investing overseas.

a) The short life span of overseas investment characterized by small-scale manufacturing. The products of small-scale manufacturing are usually products in their maturing and standardizing stages. Their level of technology is low, so it can be easily mastered and duplicated. Moreover, as a method of operation, the joint venture, which is the method of choice of the multinationals of developing nations, is not conducive to keeping trade secrets. There is little awareness of protecting trademarks and patents in developing nations.

Once a piece of technology becomes public knowledge, the multinational loses its investment advantage and the operation soon ceases. This is how many multinationals from developing nations came to an end in the 1970's. We must be on guard against this possibility. The multinationals of developing nations do not rest on sophisticated technology, so even as we develop small-scale manufacturing, we must take care to maintain our advantage by updating our technology endlessly and lengthening the life-cycle of our products. On the one hand, we must intensify the research and development of new technology and new products, upgrading our technology continuously. On the other hand, we must shorten the time it takes to assimilate imported technology and put it to use as soon as possible, thus becoming a supplier of innovative technology.

b) What initially drives the overseas investment by multinationals from developing nations is a desire to protect their export markets by securing a base overseas. They skimp on pre-investment feasibility studies and project appraisals, which does little to ensure a high investment return.

c) The multinationals of developing nations overlook the image of their products in the minds of the customers and have an underdeveloped information system. To secure a stable and long-term market for overseas investment, a multinational must establish a sensitive information gathering and feedback system, a comprehensive sales network, information network, and after-sale service network to make investment more scientific and profitable.

**2. Learning from the experience of developing nations, China should decide on an overseas investment strategy that could capitalize on its comparative advantage and pinpoint the right investment focus.**

In deciding on an overseas investment strategy, China must comply with two basic theories. The first is the theory of comparative advantage, which says one should take advantage of the international division of labor cleverly and make available to developing and developed nations the technology and products that appeal to the consumers of the host nation. The second is the product life-cycle theory: Don't act with undue haste. Know well the point occupied by our current technology and products in the life cycle. On the strength of continuous innovation, take over the markets systematically and selectively. If we follow these two basic theories, the goal of our investment should be to graduate from near-term resource exploitation to more upscale high-tech industries. Specifically, China's overseas investment strategy can be implemented in three stages.

Stage 1: China should concentrate on importing advanced technology and equipment from developed nations and, after absorption and assimilation, use them as the base of overseas investment. This is a preparatory stage.

**Stage 2:** By then developed nations already possess the new- and high-tech edge enabling them to invest on a large scale in developing nations. Using the low-end technology it has assimilated, China should provide developing nations with the small-scale industry favored by local consumers, corner those nations' resources and markets and, using their connections with the host nation and other nations (particularly developed nations), export to a third country (especially a developed third country). During this stage, China may invest in a handful of developed nations as appropriate, the principal input being cutting-edge technology (such as military industrial technology) with an overwhelming advantage. This is the pioneering stage in overseas investment.

**Stage 3:** By then China will have become a formidable economic and technological power and has begun moving into the markets of developed nations in a big way, using scientific and technical services, patents, and parts and components as inputs, with an eye toward capturing the natural advantages (a mass market, high tech, and unique local resources) of developed nations, improving the quality of the management of a multinational's international operations, and conducting personnel training. It is during this stage that overseas investment matures, growing in breadth and depth.

Generally speaking, China's overseas investment strategy should be a gradual and incremental one. Build on the imported technology and then transfer maturing and standardizing technology at the low-end and middle of the scale as well as labor-intensive industries to a host of developing nations along with a small number of developed nations provided they are compatible with local economic and technological levels and are favored by local consumers. By capitalizing on continuous technological innovation and growing economic muscle, China should next move into developed nations and diversify its markets.

The basic philosophy in making the right investment choices so as to put the investment strategy into effect: Learn from the experience of developing nations and put the lessons to use in light of the actual conditions in China. Assiduously nurture the most competitive investors in the nation. Pinpoint the prime investment locations and industries. Choose the form of ownership that would enable us to gain a foothold quickly.

1) Vigorously nurture China's enterprise groups, a vial new force in overseas investment. Make use of their multi-functional nature—combining production, scientific research, and trade with banking, information, and service under one roof—and their diversified array of operations so as to put an end to the one-man show that overseas investment used to be.

International competition is in essence a contest in economic strength. In the 1960's and 1970's Western economists were not optimistic about the future of the multinationals of developing nations precisely because

of their very limited capital. Today multinationals, transnationals, and international strategic alliances are becoming stronger and stronger as principal players in international investment. In accelerating China's overseas investment, enterprise groups are discharging a historic responsibility that cannot be shirked. 1) Strengthen themselves economically. Capitalize on their pool of capital. End small-scale production and undercapitalization. 2) Bring out their collective strength and eliminate all unnecessary internal competition. Resolve the conflicts between related links and between related enterprises (such as those between industry and trade, between technology and trade, between agriculture and trade, and between one trading company and another). End the duplication in plant openings in overseas investment, which weakens all parties involved. Pool our forces instead of scattering them. Supplement one another's strengths. Enhance our production capacity and our ability to do business. Close ranks and present a united front to the outside world.

2) Decide on the regions and industries China should concentrate on in its overseas investment. Move into developing nations, with mid-level and low-end technology and labor-intensive industries leading the way. 1) This is determined by China's economic and technological levels. China is relatively backward economically and finds itself on the third rung in the global industrial pecking order. While traditional industries, the pillar of the national economy, are immense in scope and reach, only 20 percent of their production technologies match the best the developed world came up with in the 1960's and 1970's. This determines that in the initial stage of overseas investment, we can only transfer low-grade technology and labor-intensive industries to comparable and perhaps even more backward developing nations. 2) Such a choice would help us bring out our relative advantage vis-a-vis developing nations. China is a large nation with a complete lineup of industries. They can be widely transplanted to meet the needs of small-scale manufacturing in developing nations. 3) China can contribute to South-South cooperation and to the drive by Third World countries for "collective self-reliance." Traditionally China and the vast majority of developing nations have good economic and political ties and is particularly well suited to cooperate with developing nations in Asia which are geographically close by and share common historical and cultural traditions with China.

3) Choose a form of ownership that would enable us to gain a firm foothold soon, namely the joint venture. As we first venture into overseas investment, short on funds and technology and inexperienced in sales and marketing and management, the choice of joint venture operations would help us establish ourselves quickly in the local market. The establishment of a joint venture involves the transfer of technology, equipment, manpower, management, and other elements of production as a package deal. With a joint venture, we can make use of the resources of the host nation and the marketing



experience of our partners; both parties can capitalize on the other's existing advantages. As we invest in countries in Asia, particularly South Asia and Southeast Asia, we should make full use of our ethnic ties and build up extensive partnerships with ethnic Chinese. That will give China's overseas investment a powerful boost.

## AGRICULTURE

### Potential GATT Impact on Rural Economic Structure

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[Text] The restoration of China's position as a signatory to the General Agreement on Tariffs and Trade (GATT) inevitably will have a tremendous impact on the country's rural economic development. To insure that our rural economy will successfully overcome the difficulties and take off again, we must have a clear understanding of the situation, analyze the variables, opportunities, and costs of rural economic development after rejoining the GATT, and lose no time in adopting measures to readjust the rural economic structure.

#### I. Potential GATT Shocks on China's Rural Economic Development

Often called the "Economic United Nations," the GATT is an international treaty based on the market economy and aimed at trade liberalization and promotion of international trade. The restoration of China's position as a signatory to the GATT signifies that China's economy and trade will join in international competition and move into the international market in all directions. Like the other sectors of the economy, the rural sector will not only meet new opportunities but also face great shocks.

**1. The restoration of GATT membership will subject products of town and township enterprises to the pressures of fierce competition from foreign products.** According to the GATT principle of banning quantity limitations, trade barriers, and protective tariffs, China after rejoining the GATT will gradually reduce tariffs and remove various nontariff trade barriers. And, because the restoration of China's GATT membership has a strong political meaning, it can be foreseen that China will have to pay a higher-than-expected "admission fee." After rejoining the GATT, high-quality and low-price products from abroad will inevitably flow into the Chinese market in large quantities, and the monopolizing position enjoyed by domestic products, made possible by the protection of tariff and nontariff barriers, will no longer exist. By that time, products of the town and

township enterprises will be exposed in the world economic and trade environment and faced with fierce competition directly with foreign products head-on and on equal grounds. Today's product competition is focused mainly on technology, quality, and price. However, the products of the town and township enterprises, which have grown for a long time in an environment of planned economy with no international competition, will be in a relatively inferior position on these terms. Therefore, with the opening of the domestic market after rejoining the GATT, some products, which are not competitive in technology, price, and quality, will face defeat in the fierce competition, their living space will shrink gradually, and their markets will be assaulted, and some town and township enterprises will face the tremendous pressure of elimination.

**2. The restoration of GATT membership will expose the town and township enterprises to serious challenges from foreign businesses.** According to the GATT principle of free competition without discrimination, China after rejoining the GATT will further relax restrictions on the inflow of foreign capital, which is not only in keeping with the agreement reached tentatively at the Uruguay round of negotiations on investments, but also an objective necessity in achieving China's macroeconomic development goals. So far, China has already formulated and promulgated a number of regulations and provisions on the inflow of foreign capital, for example, the provision that "foreign enterprises may enjoy special treatment more favorable than enjoyed by domestic enterprises" and so forth. These provisions indicate that in addition to opening up its domestic markets, China will also move closer to GATT principles and international practices in many other aspects of economic and trade management. It will greatly increase the determination of foreign enterprises to come to China for direct investment, cooperation, and trade, and there will be more foreign enterprises to compete in China's domestic market. At the same time, the business environment for the town and township enterprises will change into a rather unfamiliar market economy, one of "trade liberalization." Undoubtedly, relying on the powerful motive force generated by the economic reform and the historical opportunity provided by it, China's town and township enterprises have achieved astonishing successes in the past decade and more. However, their success has to a very large extent depended on the increasing number of enterprises and the absence of competition from foreign enterprises. Generally speaking, the development of the town and township enterprises is still at a rather "juvenile" level, mainly quantitative growth in terms of total output value and no fundamental improvement in the quality of production factors. Therefore, in production capacity, technology, equipment, management mechanism, etc., the town and township enterprises are no match for the foreign enterprises with their abundant financial resources and advanced technology, equipment, and management. If steps are not taken as soon as possible, the town and township enterprises, still at a "juvenile" development level and no longer having the

domestic support and protection, are destined to stop production, switch to other lines of production, go bankrupt, or close down.

**3. The restoration of GATT membership will have an impact on the export-oriented rural economic development.** According to the GATT fair trade principle, China after rejoining the GATT will take steps to strengthen export order. The fair trade principle is opposed mainly to dumping and export subsidy. In the past few years the developed countries have brought several hundred anti-dumping lawsuits against Chinese export goods, and the number seems to be increasing. It can be predicted that after rejoining the GATT, to avoid other countries using GATT antidumping and antisubsidy provisions to block China's export goods, the state's direct and indirect subsidies in support of export goods will be gradually reduced and even stopped altogether, which will inevitably affect the development of China's export-oriented economy, especially the export-oriented rural economy. Historical facts in the development of international economic relations and trade have shown that in the early stage of a country's economic development, owing to its low level of industrialization and relatively backward technology, it is hard for its industrial products to sell in the fiercely competitive international market, but its famous, special, and quality agricultural products and items processed from them, rough-processed raw and semifinished materials, and handicraft articles, with their peculiar charm, can find a place in the international market. China has more or less followed a similar path in international trade. Facts show that a very large proportion of China's export goods consists of famous, special, and quality agricultural products and items processed from them, rough-processed raw and semifinished materials, and handicraft articles, and many of these products are mainly from the rural areas. So the gradual termination of direct and indirect subsidies will have a tremendous impact on the export-oriented rural economic development. In the face of the relatively unfavorable foreign trade environment, whether or not the export-oriented rural economic entities can in a short time quickly build a mechanism which reacts sensitively to the international market and stimulate more rural products to directly join the great competition in the international market is indeed a serious challenge.

**4. The restoration of GATT membership will thrust the town and township enterprises into head-on competition with the urban enterprises.** According to the GATT principle of free competition without discrimination and the further unification of economic and trade policies throughout the country, after China rejoins the GATT, the government's direct intervention in the operations of enterprises will gradually diminish, and the national economic and trade policies will become more unified, standardized, and open. The 14th party congress has also made clear that China will follow the direction of building a socialist market economy. So the entire market structure, economic environment, and business environment will change rapidly. With China rejoining

the GATT and pursuing a socialist market economy, the relative advantage of the nimble operational mechanism enjoyed by the town and township enterprises in their early period of soaring success will gradually diminish or disappear. Besides relying on the "closed" and "semi-closed" domestic market environment, the town and township enterprises have been able to achieve such great successes in the past 10 years and more mainly by taking advantage of the opportunity of the economic reform, with rural reform to be carried out first and urban reform later, and by relying on government measures, which have rather tightly restrained the urban enterprises and enabled the town and township enterprises to operate successfully in the imperfect market environment and compete under unequal conditions. After rejoining the GATT, the Chinese Government will have to follow a series of GATT-prescribed rules regarding the overall management of the national economy and business operational activities, which will make the urban enterprises and the town and township enterprises compete in the market under equal conditions and in the same environment. Owing to historical reasons, the long-term policy decision on the product mix of the town and township industries made in the early period of their development was wrong. As a result, the town and township enterprises have the tendency to produce the same types and grades of goods as the urban enterprises, and this tendency will continue to produce a hysteresis effect in the transition to a market economy. Compared with the urban enterprises, most of the town and township enterprises are inferior in production scale, equipment, and technological conditions, and, as shown by the resulting problems in product quality and cost, they can hardly compete with the urban enterprises. The characteristics of town and township enterprises such as "the ability to change course quickly because they are small," "cheaper, if not better, products," "soft financial restraint," "irregular behavior," and so forth, once regarded as their nimble operational mechanisms, will gradually become disadvantages with the unification and standardization of economic and trade policies after the resumption of GATT membership. Unless effective measures are adopted as soon as possible, many town and township enterprises will not escape the fate of being swallowed up by their bigger and more advanced competitors.

**5. The impact of GATT membership on China's agricultural development.** According to the GATT principle of free trade, agricultural products should in principle be bound by the same GATT regulations. However, owing to historical reasons, world trade in agricultural products has always been kept outside the GATT and subjected to quotas and other restrictive policies on agricultural imports. At present, protectionism is widely practiced when it comes to trade in agricultural products. Some countries, particularly the developed countries, often take advantage of the GATT provision allowing exceptions to be made of trade in agricultural products and adopt mutually conflicting measures, which only increases the confusion. Perhaps this is exactly what

makes many people think that the restoration of GATT membership will not adversely affect China's agriculture. The writers, however, are not so optimistic. From a development viewpoint, after China rejoins the GATT, agricultural products, with their huge quantities, vast growing areas, and vital importance to the national economy and people's livelihood, will be the first to face greater pressures of market competition. At present, protectionism in agricultural trade is drawing strong reactions from various countries and international organizations. So trade in agricultural products was placed on the agenda of the eighth meeting of the Uruguay round of negotiations. Although differences remain on reducing subsidies for agricultural products at this meeting, and the negotiations have produced no result so far, the whittling down of protective measures aimed at liberalization of trade in agricultural products has become an inexorable trend. In this situation, after China rejoins the GATT, the other member countries may ask China to further increase imports of agricultural products and reduce agricultural production and export subsidies, and at the same time they may also ask China to sign future agreements concerning trade in agricultural products that could be achieved during the Uruguay round of negotiations. Because China has a large population and limited land, agriculture plays an important part in the national economy as a whole. For this reason, agriculture is the sector that should receive greater protection against foreign competition. The trend of diminishing protective measures for agriculture and liberalization of trade in agricultural products will undoubtedly cause a great shock on China's agriculture. It is obvious that agriculture in today's world is developing in the direction from simple labor-intensive production toward combined labor-intensive and technology-intensive production. In China, however, owing to the long pursuance of a dual economic policy, no significant improvement has ever been made in agriculture technology or in equipment. Although total agricultural output has rose among the world's highest, the level of productivity is low, the variety and quality of products are far from meeting domestic and foreign market demands, and prices are not competitive. Therefore, unless effective supporting measures are adopted as soon as possible to raise the agricultural production level and develop a high-yield, high-quality, and highly efficient agriculture, the time will come when large quantities of agricultural products will be imported, but export of our own agricultural products will be blocked, which will inevitably affect our country's agricultural development, and the resulting chain reaction and long-range consequence will be serious.

In short, China's rural economic development is faced with a rigorous and cruel challenge, rigorous because the contestants in the competition have different starting points, but must meet the same demands, cruel because whoever falls behind will certainly be eliminated.

## II. Readjustment of China's Rural Economic Structure

On the verge of rejoining the GATT, our first consideration must be given to how can our rural economy overcome the difficulties brought on by GATT membership and defend its own existence and development. The basic way for the rural economy to seize the opportunity, extricate itself from the difficult position, and move onto the path of a sound cycle of economic activities is to face up to the new operational environment, readjust the rural economic structure, and increase the competitiveness of the rural economic entities.

Under market economic conditions, we should not choose any kind of economic structure at random, for it may not be rational. To judge whether an economic structure is rational, we must focus mainly on whether it is suited to our national conditions; whether it can achieve efficient allocation of resources; whether it can effectively stimulate scientific and technological progress and increase labor productivity; whether it not only guarantees the rate of production increase for the near future, but is also conducive to long-term sustained production growth; and whether it is fairly strong in competitiveness and can help achieve the goals of the market economy. In order to speed up the development of our rural economy and enable it to participate in international competition, it is imperative to readjust the present, somewhat irrational, rural economic structure.

**1. It is imperative to reajust the product mix.** Competition in the market economy is first of all competition of products. For a long time, we have pursued production quantity and ignored quality, and we can only satisfy the relatively low-level demands of the domestic market or certain regional markets. Taken as a whole, the products of town and township enterprises also have a "five too many and five too few" problem: too many varieties, too few "hot" items; too many old products, too few upgraded and updated products; too many medium- and low-grade products, too few famous-brand, special, and quality products; too many primary products, too few high-added-value products; and too many high-energy-and-material-consumption and polluting products, too few low-price and high-profit products. Therefore, to meet the requirements as a GATT member, we must readjust our product mix according to international and domestic market demands and supplies of resources. Only by readjusting the product mix, insisting on high standards and high starting points, will it be possible to establish a solid place for the rural economic entities in international and domestic markets.

**2. It is imperative to readjust the scale structure.** Competition in the market economy is competition of scales. Under the present system of contracted responsibilities on the household basis with remuneration linked to output, the scattered operations of individual households on small pieces of land cannot produce the economic results of large-scale operations. The peasants are becoming less and less enthusiastic about investing in the



land, and, without timely and proper input, there can be no sustained and steady agricultural development. The average town or township enterprise is also very small in scale, which contributes to the formation of a scale structure with very few large and medium-sized enterprises but a very large number of widely scattered small and miniature ones. The rural economic entities, characterized by their low-level scale structure, are unlikely to hold modern productive forces, or a great capacity for outward expansion, and therefore cannot quickly enter the international market. To meet the requirements of international and domestic competition, we must give more consideration to the role of the market mechanism, pay attention to the efficiency and effects of production, and readjust the scale structure.

**3. It is imperative to readjust the technological makeup.** Competition in the market economy is competition of technologies. Owing to historical reasons, our rural economic entities are inherently deficient in technological and managerial standards and lacking technological strength, as manifest in simple and crude equipment and shortage in funds and competent people. As a result, a considerable part of their products are of high production cost, low quality, and not competitive in the market. To change the unfavorable situation, we must rely on advanced technology, improve quality, and produce high-grade goods. Therefore, we must readjust the technological makeup. In a sense, to make the rural economy turn onto the course of a market economy and head toward the world market, the key lies in readjusting the technological makeup and raising the technological level. Therefore, we must readjust the technological makeup according to the world trend of technological development and the international quality standards.

**4. Readjustment of the interest structure.** Competition in the market economy is competition for profits. A market economy is an economic system, in which different producers, seeking economic gains for themselves, compete in the market, thereby achieving effective distribution of resources. China's irrational economic interest structure, caused by the practice of the system of planned economy for a long time, is manifest specifically in the imbalance in economic interests between industrial and agricultural products, between the different trades within agriculture, and between grain and other low-value agricultural products and industrial crops; the lack of independence in the operations of the town and township enterprises; and the "centralized control of foreign trade." These phenomena are incompatible with the competitive mechanism of a market economy and will seriously impede rural economic development. Therefore, it is imperative to create a new system and readjust the interest structure according to the principle of comparative interests.

### III. Suggested Measures for Readjusting the Rural Economic Structure

The heart of the market economy is competition. In order to increase the competitive capacity of the rural

economic entities, we must readjust the rural economic structure as quickly as possible to meet GATT requirements and insure the successful entry of our rural economy into the international market.

**1. Readjustment of the product mix.** The rural economic entities should use resources with greater efficiency, follow the trend of international and domestic demands, and readjust the product mix by focusing on product quality, performance, variety, sales, and so forth.

As far as agricultural products are concerned, China is basically a country with a large population but limited land, and the demand for agricultural products far exceeds supply. Under the circumstances, agricultural development should still follow the basic principle of "sparing no effort in promoting grain production, tapping potential resources, and vigorously developing diversified undertakings." In crop cultivation, while increasing the quantity of grain production, we should also put the emphasis on improving grain quality and produce more high-quality grain more efficiently. While paying attention to grain production, we should also properly arrange the production of industrial crops. Besides properly arranging the ratios between areas sown to grain, cotton, and oil-bearing crops, we should also pay attention to tapping natural resources, vigorously stimulate the growing of fruit trees, silkworms, and other industrial crops, popularize the advanced three-dimensional agriculture cultivation techniques, and vigorously develop productive activities which use little land and grain. In diversification, we should: first, expand the comprehensive exploitation and utilization of natural resources in depth and breadth and actively develop forestry, animal husbandry, and fishery; second, vigorously develop three-dimensional agriculture, ecological agriculture, and courtyard production, and establish a labor- and technology-intensive modern agricultural production system; and third, readjust the animal and poultry product mix, vigorously raise herbivorous livestock to save grain, develop poultry raising, fish culture, and other breeding industries which give a high return on feed, and change the traditional hog-centered structure of the livestock industry.

The town and township enterprises need to be drastically readjusted. First, it is necessary to readjust the product mix according to GATT preferential treatments. We should clearly understand the preferential treatments given to the favored countries, the range of favored products, the extent to which tax rates are reduced, and other procedural provisions, and we should to the extent possible produce the most favored products in order to get the greatest benefit. Second, we should recognize the objective reality of the gaps between ourselves and the foreign and urban domestic enterprises in economic strength, management, and technology, take into full consideration the new situation after China rejoins the GATT and has to lower the general tariff level, differentiate products according to their competitiveness, and, following the principle of concentrating financial and material resources on developing competitive products,

put the emphasis on protecting or developing products which are competitive in domestic and foreign markets, while discarding those which are not competitive. Third, we should readjust the product mix according to the increasingly diversified trend of market demands. With the increasing number of patented new products, trademarks and packaging of newly developed products have become all the more important. The town and township enterprises should always keep themselves well informed, seize the opportunities to produce items others do not have or better than others make, and quickly move them into the market. Fourth, we should actively speed up the upgrading and updating of products and achieve the sophistication and modernization of production as quickly as possible. At present, we should first change the product mix by types, that is, to change from the single product mix consisting mainly of traditional products to a product mix consisting of both traditional products and newly developed products with the emphasis on the latter. We should not only give play to the advantages of traditional products and actively promote processed agricultural and sideline products and handicraft products with distinctive local characteristics, but, more important, put the emphasis on the development of new technological products. Vigorous efforts should be made to develop famous-brand, high-quality, and special products and new technological products, with low raw materials and energy consumption, high added value, strong competitive power, and Chinese characteristics, which will move into the market with great vitality and remain strong for a fairly long period of time. Next, we should radically change the product mix by levels, that is, to change gradually from the production mainly of raw and semifinished materials and roughly processed products to the production mainly of finished goods and precision processed items. Even the popular traditional products should be gradually improved and upgraded.

**2. Readjustment of the scale structure.** To become more competitive, the small scale, or "small but all-inclusive," operations must begin the transition into large or fairly large scale specialized operations. First of all, we must adopt measures to encourage more moderately large scale agricultural operations in order to realize the benefit of scale in agricultural production, increase agricultural accumulation, raise the level of scientific management and the effective utilization rate of agricultural resources, and insure sustained growth of agricultural productivity. We must adopt measures to encourage the formation of agricultural-industrial-commercial complexes with town and township enterprises as the center. With the market as their goal and combining production, marketing, transport, and trade, these complexes will form an integrated procurement-production-marketing system, a combined trade-industrial-agricultural operation, to increase efficiency and profit of the agricultural products business. Next, from now on, it is imperative to adopt all effective measures and make concentrated efforts to support the strongest enterprises, help them

start major new high-tech projects to carry out technological transformation, and greatly increase their technological capabilities so that they will grow into a new technological force; in certain areas, the town and township enterprises producing similar items should be joined together to form enterprise groups like "boats tied together against winds and waves"; stronger and expanded cooperation with foreign enterprises can be achieved in the form of "marriage" with foreign producers of famous brands of same kinds of products, beginning by acting as their agents, then to form joint ventures or work in cooperation with them, to become more competitive; and the operational scale of town and township enterprises should be expanded by raising funds in all possible ways and turn them into stock companies, and emphasis should be placed on forming large-scale and close-knit enterprise groups, integrating science, industry, and trade, production, supply, and marketing, and human, financial, and material resources, to increase the competitive capacity.

**3. Readjustment of the technological structure.** The technological backwardness of agriculture and town and township enterprises must be changed fundamentally. While it is necessary to continue and transform the traditional skills, efforts must also be made to develop and apply new technologies. The past extensive expansion, which was mainly growth in low-quality labor force and low-level means of production, should be replaced by intensive growth which is characterized by the improvement of the quality of the production factors and the technological structure of production. For this, we must do the following:

A. Pay attention to human capital investment. The human factor and management factor are important factors in technological progress. Therefore, we must, first, adopt some special policies and preferential measures to attract scientific and technological personnel in every possible way and from all sources, to work full-time, part-time, or on a loan basis; second, improve and strengthen the scientific and technological ranks by commissioning universities, colleges, and secondary technical schools to train specialized personnel and encouraging people to study on their own; third, provide training for factory managers, workshop supervisors, and management personnel in work shifts and teams, supply and marketing, and financial and statistical departments in professional skills, managerial know-how, and general competence to enhance their qualifications and strengthen scientific management; and, fourth, provide education for workers and peasants, mainly on-job workers and peasants actually engaged in agricultural production, teaching them what they should know, how to do their work, and general knowledge, to improve the quality of labor.

B. Establish a scientific and technological cooperation network. Rural economic entities should take the initiative to unite with universities, colleges, scientific research units, and urban enterprises to provide financial support for scientific research aimed at increasing



production. They may set up scientific and technological enterprises, or form research organizations within rural economic entities, to form a multilevel, multichannel, and multiform scientific and technological cooperation network, with the county scientific commission and scientific association as the coordinating center, responsible for the digestion and assimilation of imported technology and development of new technology and products, to promote the integration of science and technology with production.

C. Actively introduce and renovate technological equipment. Technological equipment is the foundation of production and an important condition for improving product quality, increasing production efficiency, and reducing consumption and cost. Therefore, we must work actively and from a high starting point to bring in a certain amount of advanced technology and equipment, "graft" advanced domestic and foreign technology, and build on it locally. At the same time, attention should be paid to renovating existing equipment and raise the existing technological level. This is the cheapest and most practical way to achieve technological progress.

4. Readjustment of the interest structure. To fundamentally guarantee that the socialist market economy's operational mechanism will work normally, the state must make an effort to readjust the interest relations among all parties concerned. First, we must readjust anew the interest relations between the state, consumers, agricultural products managing departments, and agricultural producers. The state funds used to protect the interest of consumers and subsidize the agricultural products management departments should be transferred and returned to the field of agricultural production as quickly as possible, and the interest of consumers should be protected mainly through the state's reform of the wage system and consumption pattern and implementation of the contract responsibility system. Second, we must readjust anew the interest relations between various departments and trades. We must recognize as soon as possible the value of agricultural products, recognize the commodity nature of agricultural products, especially those of vital importance to the national economy and the people's livelihood, commercialize agricultural products, begin free selling and buying of agricultural products, let prices be determined by the market, thereby gradually close the long-standing gap between the price and value of agricultural products, rationalize the price relations between different products, implement the principle of exchange of equal value, and reduce the price scissors between industrial and agricultural products. Only in this way will it be possible to reduce the income gap between agricultural producers and other trades and between different kinds of agricultural products, and only in this way will it be possible to strengthen the self-accumulation mechanism of agricultural production, strengthen the basis for material input, raise the level of technological progress, improve the quality and increase the quantity of agricultural products at the same

time, and thus become more competitive in the market. Third, we must readjust anew the interest relations between the major foreign exchange earners and the major foreign exchange users. The preferential policy "favoring" the export production enterprises, enacted by the state to encourage and support exports to earn foreign exchange, is not working. For example, the portion of foreign exchange retained by the export production enterprises is very small. Many foreign trade units do not allow the enterprises to retain their share based on what they have actually earned, but dispense the foreign exchange at will. Even when the enterprises are allowed to retain their share in proportion to their actual earnings, the amount they can control directly is still very small. And, the shares of foreign exchange retained by the enterprises are calculated by the same one standard, regardless of differences in level of processing, raw material channels, and technological content of the export goods, and this dampens the enthusiasm for earning foreign exchange. Therefore, we should speed up and deepen the reform of the foreign trade system, create a mechanism and conditions for local authorities and export enterprises to go out of the country and return at any time, remove the "screen" between the export production enterprises and the international market, and give the enterprises more power to manage their own exports. We should allow the enterprises to negotiate directly with foreign companies and authorize them to develop futures trade, foreign trade, leasing, and consulting services according to state regulations. We should perfect a stimulating mechanism by allowing qualified export production enterprises to establish their own marketing network and directly participate in international exchange and competition. We should also harmonize the interest relations between major foreign exchange earners and major foreign exchange users and protect the economic interests of the major foreign exchange earners according to the principle that "the foreign exchange earner has the right to retain a portion of the foreign exchange earned and use it" and by readjusting the price ratios between commodities for the domestic market and those for export and between foreign currencies, or by establishing a foreign exchange regulating market.

In short, the readjustment of the rural economic structure is the key for the rural economic entities to increase the market share of their products and improve product earnings. It is also an important opportunity for the rural economy to make up for lost time and adapt itself to the GATT smoothly. The opportunity must not be lost, and time waits for nobody. For the sustained, steady, and coordinated development of the rural economy, we must speed up the readjustment of the rural economic structure.

#### Use of Arable Land for Non-Agricultural Purposes

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[Text] With the coming of another high tide in the development of China's national economy, the process in which arable land comes to be used for non-agricultural purposes is now accelerating in an overall manner. Against such a background, how to rationally adjust the land management system and policies so as to effectively protect the valuable arable land resources while fully satisfying the objective needs for land generated by the high-rate economic growth has become an important issue which urgently needs to be carefully studied and resolved. With this in mind, we conducted a special-topic study of the main problems occurring in the process in which arable land comes to be used for non-agricultural purposes at Mianyang City, Sichuan Province. Now we present our preliminary analysis and thoughts.

# I

Generally, there are two basic ways in which arable land comes to be for non-agricultural purposes—requisitioning and owner-determined change of use. Land requisitioning refers to the process in which the state, in response to the needs of social and public interests, transforms collectively owned land into state-owned land in accordance with the law, leading also to change in land ownership. Owner-determined change in land use refers to the process in which rural collective economic organizations turn their own land from being used for agricultural production into being used for non-agricultural purposes; while land ownership does not change, the purpose for which the land is used would change. In essence, the processes of land requisitioning and owner-determined change of land use are both processes in which arable land comes to be used for non-agricultural purposes. Such processes are a common economic phenomenon in the economic development of countries around the world. In China, before the start of the reform, the process in which arable land comes to be used for non-agricultural purposes was slow because of the constraints of the system of planned economy and of the slow economic growth, and only began to speed up in the 1980s. The overall acceleration of the process in which arable land comes to be used for non-agricultural purposes in China since the start of the reform has been the result of the interaction of new economic factors that exist both within and outside the rural areas. On the one hand, the rapid development of rural secondary and tertiary industries and the quickly developed housing-construction fever on the part of the peasants have brought about profound changes in the utilization structure of rural land; on the other hand, the continual acceleration of urban economic construction has also led to the rapid decrease in the amount of land used for agricultural purposes. From a fundamental perspective, both the use of rural land for non-agricultural purposes

and the turning of rural land into urban land are objective reflections of the general laws of economic development and a necessary stage in social progress, and thus represent an irreversible historical trend. It would be extremely shortsighted and very costly to protect arable land in a passive manner, by suppressing normal industrial and urban development.

Ours is a country very short on arable land resources; the huge population burden has created an acutely unbalanced situation regarding land and people. As there is currently only as little as 0.086 hectares (1.3 mu) of arable land per person, it becomes extremely difficult to achieve a rational, balanced situation regarding the amounts of land used for agricultural purposes and for non-agricultural purposes. This actual situation of the country has objectively determined that we must always maintain the policy of giving great emphasis to protecting arable land as our fundamental national policy, and should have no wavering or relaxation in this regard. Therefore, with regard to the issue of land, a critical question is how to keep the reduction in the amount of arable land within acceptable, rational limits, while effectively eliminating various phenomena of waste occurring in the process in which arable land comes to be used for non-agricultural purposes.

As should be noted, since the start of the reform, land management in China has gone through a gradual process of moving from disorder to order. In the early days of the reform, due to a lack of effective means of regulation and control, the amount of arable land reduced was shocking, and there was a great deal of waste. Take the example of Sichuan. In 1984-1985 alone, province-wide arable land was reduced by 173,000 hectares, representing an average annual reduction of arable land of the size of a large county with a population of one million. During the Sixth Five-Year Plan period, in Mianyang City, as much as 8,671 hectares of arable land came to be used for non-agricultural purposes. Since the mid-1980s, with the gradual deepening of the reform, the state promulgated a series of land management laws and regulations, and set up land management agencies at the various levels. Thus, the work on land management gradually came to be done in a regularized, law-based manner, leading to prominent achievements in the protection of arable land. In Sichuan Province the amount of arable land reduced fell to 37,600 hectares in 1987, and fell further to 33,200 hectares in 1991. In Mianyang City, during the Seventh Five-Year Plan period, the amount of arable land that came to be used for non-agricultural purposes fell to over 4,700 hectares, a fall of around 45 percent as compared with the Sixth Five-Year Plan period. The situation of land management has been changing from disorderly to orderly. This shows that China has achieved important progress in law-based land management, and indicates that the standards of scientific land management have been markedly improved on the basis of prior accomplishments.

## II

In recent years, with the overall acceleration of economic growth, the demand for land to be used for non-agricultural purposes has been rapidly growing. On the whole, the changes in the structure of land utilization conform with the important changes in the situation of the development of the national economy, and are therefore normal and rational. But, because of the complicated impact of many factors, there have also occurred some new problems and contradictions which need to arouse high attention and be given timely solutions.

### (1) Marked Intensification of Direct Governmental Administrative Intervention

Since the mid-1980s, as a series of land management policies and laws and regulations have been promulgated and as urban and rural agencies of unified land management have been gradually established, the long-standing problems of disorder in the land management system and of the irresponsible and wasteful use of land have been rather effectively solved, and the situation of loss of control over the use of land for non-agricultural purposes has been markedly improved. A land management system—which can perform its comprehensive functions in accordance with the law and which is equipped with effective communication between the upper and lower levels—has been basically formed; such a system has provided strong organizational guarantees and rule-related foundations for conducting land management in accordance with the law. But, in the recent years, under the direct impact of the strong demand for speeding up economic growth, local governments have been intensifying their direct administrative intervention in the area of land requisitioning in an overall manner. The procedures, explicitly stipulated by the law, on land requisitioning and using arable land for non-agricultural purposes have been broken, and the regularized and law-based characters of land management have been obviously weakened. In Mianyang, in order to more effectively attract outside investment, one county after another set up industrial development zones. According to the estimate of the Land Management Bureau of Mianyang City, as many as ten development zones at the county or township level have been set up across the city. But, up to now, only for four county-level development zones—those of the Central District, Jiangyou, Santai, and Anxian, Mianyang City—requests for approval have been filed at the Land Management Bureau of the city; the rest were all set up with the approval of local governments at various levels which exceeded their authority in giving approval in those cases. As should be noted, in addition to the direct stimulus of economic factors, in one sense, the intensification of local governments' administrative intervention in the matters of land requisitioning and using arable land for non-agricultural purposes is also directly related to the overly limited approval authority on the part of the land management agencies at the city or county level. Currently, county-level agencies can approve land use

involving 0.2 hectares of arable land or 0.67 hectares of non-arable land; prefecture- or city-level agencies can approve land use involving 0.67 hectares of arable land or 2 hectares of non-arable land. Such a practice no longer suits the situation where the comprehensive coordinating functions on economic development on the part of cities and counties are being markedly enhanced.

Under the condition of accelerated economic growth, it is unavoidable that the scale of land use will become relatively greater than before. But, such increase in the scale of land use should and must be accomplished in a process involving filing applications and getting approvals according to the law-governed procedures. We should not shake or weaken the rule-related foundations for conducting land management in accordance with the law because of the needs of short-term interests. It is necessary to have a profound understanding of the fact that governments' administrative intervention will seriously divorce rights from responsibilities and will thus inevitably provide, to a certain extent and within a certain scope, conditions for the resurgence of the problems of requisitioning land and using arable land for non-agricultural purposes in an irresponsible manner, thereby even providing opportunities for those who would use their power to gain benefits for themselves in land-related matters, and those who use arable land for non-agricultural purposes in violation of the law.

### (2) Increasing Loss of Control Over the Use of Rural Land for Non-Agricultural Purposes

Practice has shown that as compared with the management of the process of requisitioning land for national construction, the management of the use of rural land for non-agricultural purposes has always been a weak link. As the internal management of rural areas only involves changes in the use of land, but not changes in land ownership, there is a serious problem of rural cadres approving land use and using land for non-agricultural purposes in violation of the law, under the situation where the system of land property rights is not well-developed and where effective forms of economic realization of land property rights are absent. Such a problem has been responsible for most of the cases of non-reporting and under-reporting concerning the use of land for non-agricultural purposes. During our investigation at Shitang Township of the Central District, Mianyang City, we learned that the township's lumber market and agricultural trading market each using nearly 3.3 hectares of land were established without approval. For many highways as well enterprises, stores, and restaurants along the streets, no requests for approval have been filed to this day. In the four urban townships of Mianyang City, 100 hectares of land was requisitioned or came to be used for non-agricultural purposes in 1991. 20 hectares—or 20 percent—of the land was used, without approval, by township enterprises and private or individually operated enterprises.



### **(3) The Weakening, to Differing Degrees, of Collective Land Ownership**

In order to use land as a basic factor attracting outside investment, governments at the municipal, county, and township levels tend to directly intervene in the process of land requisitioning, and are in fact playing the role of the land owner, not only determining the price for requisitioned land but also determining the amount, location, and type of requisitioned land. In order to increase the capacity to attract outside investment and secure outside-funded projects, there have occurred two common trends in land requisitioning: One is the repeated reduction in land prices; the lowest price for requisitioned land in suburban Mianyang has fallen to 15,000-20,000 yuan for 0.0667 hectares (per mu). The second is the marked increase of the share of fertile land near the city in the amount of land requisitioned. The long-emphasized policy of trying as much as possible to use only non-arable land has been seriously shaken. In this process, after rural collective economic organizations have basically lost their influence on the process of requisitioning the land owned by them, collective land ownership in a strict sense has been in fact cut into pieces and weakened under administrative intervention. When the peasants lose the basic means of production—land, the protection of their economic interests will also inevitably become a problem not easily solved in a right manner.

### **(4) Serious Shortage of Land Development Funds**

Under the circumstances of the ever-increasing amount of arable land being used for non-agricultural purposes, land development and reclamation have acquired even greater practical significance. The relevant policies clearly stipulate that 25 percent of the revenues from taxes on the use of arable land collected by the state taxation agencies and the main part of the land management fees collected by the land management agencies should be turned into land development funds; in this way, what is extracted from land will be used on land so as to implement the strategy of balancing land use with land development. However, the situation in Mianyang shows that it is difficult to secure funds for land development, and that the shortage of funds in this respect is a very acute problem. In 1988-1992, the province allocated merely 140,000 yuan in special funds for land development for Mianyang City; the amounts of funds raised by the city and counties themselves were similarly negligible. In the recent years, Mianyang City reclaimed 1,300 hectares of land, mainly relying on the labor and capital inputs provided by rural collective economic organizations and peasants. Under the condition of very limited accumulation and investment capabilities on the part of the peasants, this work will become ever more difficult.

### **(5) Continued Disorder in the Management of Land Requisitioning Funds**

The economic compensations paid by land-requisitioning units to rural collective economic organizations for the transfer of land ownership mainly consist of three parts: compensations for land transfer, compensations for crop loss and the loss of attached buildings, and subsidies on the placement of the labor force. In this respect, compensations for land loss are managed by collective economic organizations, while compensations for crop loss and for the loss of attached buildings go to individual peasants. Subsidies on the placement of the labor force are given by land-requisitioning units to enterprises which would employ the rural workers after their land has been requisitioned. In terms of current practice, due to ineffective management on the part of collective economic organizations and the lax character of the relevant system, there exist serious disorderly phenomena in the management of compensations for land loss which represent the most important of the three parts of compensations for land requisitioned: First, the funds are divided up in an egalitarian manner, and are all used up. Second, a few people carry out embezzlement and divert the funds for private uses in efforts to benefit themselves. Third, township and village governments use their power to intervene and to appropriate the funds without compensation. Although there are differences in degree, it is undeniable that the above-mentioned problems exist on a widespread basis, and that effective measures are urgently needed to solve the problems.

### **(6) Many Difficulties in Placing the Labor Force**

Under the present circumstances, the placement of the labor force has to be an important component of the economic compensations relating to land requisitioned for national construction. This is a critical factor ensuring that arable land can smoothly come to be used for non-agricultural purposes. Article 28 of the Land Management Law stipulates that in requisitioning land for national construction, the land-using units should also pay subsidies on the placement of the labor force, in addition to paying compensations. The standard subsidies on the placement of each agricultural worker in need of placement should equal two-three times—10 times at the maximum—the average annual per mu (0.0667 hectares—the editor) value of output for the three years involved in the requisition. According to the relevant document of the Land Management Bureau of Sichuan Province, when arable land in the amount of under 0.3 mu (0.02 hectares) per person in the case vegetable-growing land and in the amount of under 0.4 mu (0.026 hectares) per person in the case of grain-growing land is requisitioned, the policy of "total requisition and total transfer" will be followed, i.e., that all those who are part of the agricultural population will turn into part of the non-agricultural population. Despite the above-mentioned explicit policy stipulations, there are many difficulties in placing the agricultural labor force in practice, and the problems are acute. At present, in

Mianyang City, over 20,000 people who should have changed from part of the agricultural population into part of the non-agricultural population have yet to be turned into part of the non-agricultural population, resulting in great employment pressures and constituting, to some degree, a potential destabilizing factor in the rural areas. According to more specific analyses, the following are the main causes of the difficulties in placing the agricultural labor force after the completion of land requisitioning: First, Sichuan Province's policy of allowing employment for the agricultural labor force—after the completion of land requisitioning—only in collectively owned enterprises with independent accounting responsibilities at the county level or above has put unreasonable restrictions on where the agricultural labor force can be placed and on the variety of channels that can be used in the placement. Second, the application of the policy of total requisition and total transfer in situations of requisitioning arable land in the amount of under 0.02 hectares per person in the case of vegetable-growing land and in the amount of under 0.026 hectares per person in the case of grain-growing land has artificially extended the time limit for completing the tasks of placing the labor force. As a result, there have occurred not only serious imbalances in the burdens of labor force placement on different land-requisitioning units, leading to an increase in the difficulty in securing placement, but also growing obstacles to the requisitioning of land on the outskirts of cities. Third, with the transformation of operating mechanisms, cities have increased their operational autonomy and are using various methods to fight the imposition of government-mandated tasks of placing agricultural labor force. This problem is particularly prominent in the area of requisitioning land for the construction of public infrastructure.

### III

The preceding analysis demonstrates that while on the whole the acceleration of the process in which arable land comes to be used for non-agricultural purposes is the inevitable result of the accelerated growth of the national economy as a whole, there have occurred, in the process, some new problems and contradictions which should be given great attention and which should be solved so as to provide good conditions for the rational allocation and full utilization of limited land resources.

#### **(1) Further Enhance the Authoritative Character of the Law-Based Land Management Work of the Land Management Agencies**

The establishment and development of land management agencies and the promulgation of land management laws and regulations have gradually transformed land management work from being characterized by decentralized management with multiple sources of authority into being characterized by centralized, unified management, and from being characterized by simple administrative management into being characterized by

comprehensive management using administrative, economic, and legal means. The nature and content of the work have undergone important historic changes. However, the practice over many years has shown that the land management agencies have yet to fully perform their management functions, and that they tend to encounter obstructions from various circles in the process of handling cases of giving approval for land use in violation of the law and cases of using arable land in violation of the law. That law-enforcement is difficult is still a very prominent and widespread problem. Especially, the administrative intervention of leading party and government bodies often make land management work deviate from the direction of being regularized and law-based, resulting in the weakening of the authority of the relatively independent land management agencies and the weakening and damaging of the constraining effect of land laws and regulations. Therefore, under the current new situation of relatively growing demand for land generated by the accelerated economic growth, it is especially necessary to further clarify the relative independent status of land management agencies in the area of land management, and to enhance the authoritative character of their law-based land management work. It is necessary, in terms of the system, to sever the channels through which party and government bodies wilfully intervene in the process in which arable land comes to be used for non-agricultural purposes, by bringing order to the land management system in a fundamental way. To that end, it is necessary to formulate, as soon as possible, the organic law on land management agencies, so as to clearly designate, in the form of legal norms, the legal actors which conduct land management, and to define the legal status, rights and duties, and working procedures of land management agencies at all levels. In this way, those agencies can acquire greater independence and authority; the necessary legal basis and legal guarantees can be provided for the enhancement of the land management agencies' capabilities of carrying out land management in accordance with the law.

#### **(2) Enhance the Institutional Development of Land Management Agencies Themselves**

As the practice of economic development shows, the policy of authorizing county-level agencies to approve land use involving under 0.2 hectares of arable land or under 0.67 hectares of non-arable land and of authorizing prefecture- and municipal-level agencies to approve land use involving under 0.67 hectares of arable land or under 2 hectares of non-arable land no longer suits the practical needs of economic development, and must be timely adjusted, so as to greatly expand the municipal- and county-level land management agencies' authority for approving land use. We suggest that county-level agencies be authorized to approve land use involving 2 hectares of arable land or 6.67 hectares of non-arable land, and that prefecture- and municipal-level agencies be authorized to approve land use involving 6.67 hectares of arable land or 20 hectares of non-arable land, so that the cities and counties can have

capabilities of allocating land resources basically commensurate with their comprehensive coordinating capabilities in the area of economic development. At the same time, it is necessary to make great efforts to enhance the institutional development of land management agencies themselves. Further raise their standards of scientific land management through personnel development, system improvement, and deepening reform. It is necessary to ensure optimal geographical distribution of land use strictly according to land utilization plans, and prevent blindness and wilfulness in land utilization. Meanwhile, it is also necessary to actively formulate and implement technology and economic policies which promote economical land use, so as to raise the level of intensive use of land. Of particular importance is that it is necessary to gradually establish and perfect the law-enforcement system in the area of land management, so as to ensure actual implementation of various land laws and regulations, and to prevent the phenomena of non-compliance with the law and lax enforcement of the law. Land management agencies should enhance the development of legal personnel, recruit and increase full- or part-time law-enforcement personnel, and establish specialized land-management law-enforcement bodies if conditions allow, so as to provide organizational guarantees for the effective implementation of land management laws and regulations. In addition, it is also necessary to greatly enhance the work of law-enforcement monitoring, to prevent and eliminate the phenomena of knowingly violating the law and abusing power which may occur in the area of land management, and to ensure fairness and efficiency of the law-enforcement process in the area of land management, so that land management agencies can more effectively accomplish the important tasks of providing good land management and ensuring proper land utilization.

### **(3) Improve and Perfect the Management Policies on the Use of Rural Land**

It is necessary to clarify the land-owner status of rural collective economic organizations in terms of legal norms, and to increase their capabilities of regulating and monitoring land utilization. On the one hand, it is necessary to formulate and implement, as soon as possible, policies on compensated use of rural land for non-agricultural construction purposes. It is necessary to continue to maintain strict standard-quota restrictions on the use of land for rural housing, and gradually implement the method under which collective economic organizations collect some land use fees. With regard to township enterprises' use of land, it is necessary to fundamentally change the previous situation of uncontrolled, wasteful land use caused by the practice of uncompensated use of land. Collect—with collective economic organizations doing the actual collecting—location-based land use fees which reflect differential returns on land, so that land use can be directly linked up with the economic efficiency of township enterprises. In this way the land ownership on the part of collective economic organizations can be demonstrated in concrete, economic forms; in addition, the use of the lever of

differential rent can also encourage township enterprises to consciously economize on the land used, thereby helping reach the goal of improving the efficiency of land utilization. On the other hand, it is necessary to give strong emphasis to the practice of proceeding with town-building mainly on the basis of renovating old towns, so as to fully utilize the land of existing towns. It is necessary to develop rural mini-zones of industrial development in a focused manner at townships with location-related advantages. Create good investment environment through formulating a series of attractive policies, so as to gradually have the existing township enterprises concentrated in the mini-zones of industrial development. This will both promote economical use of land and result in high efficiency of scale. It is especially necessary to exercise effective legal and policy controls over the locating of newly established township enterprises, and rigorously curb the continued development of the phenomenon of the scattering of enterprises.

### **(4) Give Great Emphasis to, and Conscientiously Carry Out, the Work of Land Development**

As using arable land for non-agricultural purposes is an inevitable historical trend in economic development, it is necessary to adopt relevant measures in agriculture to compensate for the loss of arable land, under the condition of the acute shortage of arable land resources in China. The first is to increase the amount of arable land by greatly developing resources of reserve arable land through reclamation; the second is to deeply develop resources of non-arable land so as to raise the efficiency of comprehensive utilization of land; and the third is to make intensive use of existing arable land so as to raise the productivity of arable land. But, both reclamation and making intensive use of existing arable land would require adequate funds to serve as guarantees. Therefore, first, it is necessary to unwaveringly adhere to the fundamental policy of "using resources extracted from land on land and cultivating land with resources extracted from land," and further enhance the management of land development funds consisting mainly of revenues from taxes on the use of arable land and land management fees. Ensure the availability of funds which should be turned into special-purpose funds, to be mainly used for large-scale reclamation and the building of farmland infrastructure. Strictly prohibit the diversion and waste of land development funds. It is necessary to hold those who violate the policies economically and legally accountable. Second, it is necessary to formulate and perfect policy measures which encourage the enthusiasm of peasants and collective economic organizations for land development. Ensure that the policy of benefits belonging to the developers shall not be changed for a long time. Encourage joint development efforts and development on a large scale. Raise funds for land development through multiple channels. Third, it is necessary to implement the strategy of keeping a basic balance between land use and land reclamation on the basis of the actual situation. Under the condition of differential distribution of land resources across different regions, the present practice of simultaneously



issuing, and demanding the completion of, land reclamation targets and land use targets to the prefectures, cities, and counties is both totally impractical and unlikely to bring about expected results. With regard to Sichuan, an even more important issue is how to achieve a province-wide macrolevel balance between land use and land reclamation. To that end, on the one hand, it is necessary to appropriately increase the share of provincial retention in the revenues from taxes on the use of arable land and land management fees, so as to improve the capabilities to invest in the land development of key regions. At the same time, establish flexible mechanisms for redistributing revenues from taxes on the use of arable land across the regions on the basis of considerations of the differential distribution of land resources across the different regions. Transfer revenues from taxes on the use of arable land from regions with a shortage of land resources to regions with relatively abundant land resources which can then accomplish tasks of land reclamation of a corresponding magnitude, so as to achieve the strategic objective of keeping a basic province-wide balance between land use and land reclamation.

#### **(5) Comprehensively Enhance the Management of Compensations for Land Loss and Land Use Fees**

Compensations for land loss are economic compensations given to collective economic organizations for transferring their land ownership. Land use fees are economic compensations given to collective economic organizations for transferring their rights of land use under the condition of no change in land ownership. Both kinds of compensations should belong to the collective economic organizations, and be mainly used in developing township enterprises and carrying out in-depth development of resources of arable and non-arable land, so as to solve of problems of living and production for the peasants after their land has been requisitioned or has come to be used for non-agricultural purposes. It is necessary to establish and further develop a strict system of management which would neither allow the people concerned to completely divide up among themselves the funds and use up all the funds so as to simply turn the compensations for land loss and land use fees into consumption funds, nor allow anyone to appropriate, divert, or waste the funds in any fashion, thereby encroaching upon and damaging the proper interests of the collective economic organizations. In view of the successful experience of Shitang Township and Suburban Township of the Central District, Mianyang City, the following method is very effective: Compensations for land loss and land use fees are owned by the collectives but managed by the townships; in managing the funds, the township agricultural economic centers would put the funds in a special account, rigorously examine and monitor how the funds are used and how much is used, and release the information on the use of the funds to the peasants periodically. This method is also trusted and supported by the peasants. At present, on the whole, the management of compensations for land loss and land use fees is still rather disorderly, and there is a great deal

of washout and waste. But, in view of the differences in socioeconomic conditions of the regions, it is not appropriate to adopt a uniform management model. It is necessary to timely review the good management practices that the localities developed and accumulated on the basis of their own conditions, and further sum up and perfect those practices which can then be popularized in the given region, thereby effectively promoting the scientific management and rational utilization of the compensations for land loss and land use fees.

#### **(6) Rationally Adjust the Policies on the Placement of the Labor Force After Land Is Requisitioned**

The placement of the labor force is an important economic compensation to the peasants for their loss of the basic means of production—land, and is an indispensable factor contributing to the smoothness of the process in which arable land comes to be used for non-agricultural purposes. As the preceding analysis shows, the current difficulty in placing the labor force after the requisitioning of land is mainly caused by many unreasonable policies. Thus, to solve the problem, the most urgent is to timely adjust the policies, by carrying out bold explorations, so as to find a new path in this sphere. In view of the actual situation, there are basically two policy choices. 1) Revise the policy of only allowing placement of the agricultural labor force in collectively owned enterprises with independent accounting responsibilities at the county level or above after the requisitioning of land and the policy of total requisition and total transfer in cases of requisitioning vegetable-growing land in the amount of under 0.02 hectares per person and in cases of requisitioning grain-growing land in the amount of under 0.027 hectares per person. On the one hand, explicitly stipulate that after land is requisitioned, the agricultural labor force can be placed in all the enterprises of the various types and the various ownership statuses, so as to increase employment opportunities for the labor force, and to reduce the difficulty in securing placement. On the other hand, use the method of determining the number of people to be placed on the basis of the per capita size of arable land, thereby balancing the use of arable land with the placement of the labor force and increasing the fairness in the burdens of placing the labor force on different land-requisitioning units. In this way, the placement of the labor force can be smoothly carried out. However, from a fundamental perspective, the above-mentioned method only treats the symptoms but does not cure the disease, and can only alleviate the problem but not fundamentally solve the problem. Therefore it can only serve as a transitional choice. 2) Thoroughly break—in conjunction with the gradually implemented reform of the labor and employment system of the state and collective enterprises—the very defective traditional model under which the state is responsible for the employment of all the labor force, in accordance with the theory of socialist market economy. Use the method under which the land-requisitioning units pay subsidies on the placement of the labor force directly to the

peasants whose land has been requisitioned. Let those peasants look for employment and seek self-development in a situation of more choices. In this important area, Mianyang City has taken the lead in carrying out exploratory reform efforts. Practice shows that the method is basically successful and totally practicable. From a developmental perspective, introducing market mechanisms into the placement of labor force in the process in which arable land comes to be used for non-agricultural purposes is an irreversible trend of development. We should have adequate, clear understanding of this, and lay the necessary groundwork in terms of policy adjustment and structural reform so as to prepare for the developments in the direction of this trend.

### **Grain, Oil Purchase, Sales Systems Reform Noted**

93CE0493B Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 3, 15 Mar 93 pp 33-34

[Article by Zhan Zhongliang (0594 1813 5328); Leng Chongzong (0397 1504 4920), responsible editor: "The Pros and Cons of the Reform of the Grain and Oil Purchasing and Marketing System"]

[Text] On 1 May 1992, Lotian County in Hubei Province reformed its grain and oil purchasing and marketing system, the main content of this reform being: "Exemption from the obligation to purchase grain and oil under fixed quotas; abolition of the fixed sales quotas for grain and oil; decontrol of purchase and sales prices for grain and oil." This reform abolished the 40-year old system of unified state control of purchasing and marketing grain and oil. Practice has proven that this reform has had its positive effects, but also certain shortcomings.

#### **1. The Advantages of the Decontrol of Grain and Oil Purchasing and Marketing and of Freeing the Prices for These Commodities**

1) The reform promoted a rational readjustment of the composition of agricultural production. After abolishing the obligation to buy up grain and oil under fixed quotas, the vast numbers of peasants will enjoy complete freedom of determining production themselves, and will be free to adjust the composition of their production according to the market requirements and profitability of products. They will be able to plant whatever the market requires and whatever will give them a good profit. As a consequence, they will aim in the development of their agricultural production at high quality, high yield, and high profitability. Since the said county instituted the reform, there has been a beneficial tendency to readjust the composition of farm products; the development of higher grades among grain crops was particularly rapid. High quality and higher-priced rice varieties, such as "nuo gu" [glutinous rice] and "jing dao" [round-grained nonglutinous rice], which had been little planted and purchased a few years ago, were

purchased in 1992 to the amount of over 4 million kilos, purchases which obviously were very profitable for the peasants.

2) The reform revitalized the state-run grain enterprises. The reform of the grain and oil purchasing and marketing system brought about a complete change in the former state, where state-run grain enterprises lived off and by the grace of "state policy" and "subsidies," had been indifferent to possible business losses, while the enterprises by themselves were incapable of bringing pressures to bear and lacked vitality. The reform brought complete deregulation in four respects: in business operations, in pricing, in employment of manpower, and in distribution, and performance adopted the principle of "one line of business to be main business, business operations to be comprehensive, and full autonomy in pricing." Vitality of the enterprises was distinctly much strengthened. By 11 December 1992, the grain system of the entire county had incurred a loss of 6.59 million yuan. Of these losses the loss of 5.55 million yuan had been incurred during January to April (before the reform), and only 1.04 million yuan during May to November. Compared to the same period in the preceding year (after charging off 1.56 million yuan of public finance subsidies granted for reasons of policy) there was a decline in losses of 1.19 million yuan, i.e. a 32.4 percent reduction in losses. In those years, the grain system set up throughout the entire county: 41 processing plants of various kinds, handling rice, noodles, flour, oil, wine, bean products, pastry, etc.; 14 farms for raising pigs, chickens, and ducks; established 12 new restaurants and hotels, 84 prepared-food stands; and increased the grain and oil purchase and sales outlets from the former somewhat over 80 to the present 325. In Guangzhou, the Northeast, and Wuhan, they newly set up three "windows" for external business. They also organized a business contingent of more than 200 persons, to travel extensively to promote purchasing and marketing outside of their own territory. Their business is now extending to the "frontline positions" of grain and oil purchasing and selling, to processing and upgrading, to cultivating and animal rearing, to servicing food and beverage supply, to business in other lines of commodities, and also to the tertiary industries. At the same time, they instituted internally the contractual management responsibility system. The enterprises have autonomy in their business operations, are responsible for their own profits and losses, are self-reliant in their development, and have initially developed a self-control mechanism; they have thereby laid an excellent foundation for future long-range development.

3) The reform protected the interests of the consumers. In the past, grain and oil rations were supplied to cadres, staff and workers, and to the urban population against ration tickets, but qualities were poor, and at times the sales were forcibly combined with the sale of other commodities, which was greatly resented by the masses. Now, grain and oil supplied by the grain supply department comes in almost 30 varieties, high, medium, and

low qualities are available, and deliveries will be made to the doorstep. Many peasants bring their own produce to the markets and sell it directly, and the consumers are free to choose according to their needs. Buyers and sellers negotiate prices according to quality, which is a convenient and expeditious way. At the same time, after decontrolling the grain prices, the grain and oil subsidy to the urban non-agricultural population was transformed from a hidden into an open subsidy, without thereby impairing its economic benefit. On the one hand, with a weak grain market, the market sales price of rice after decontrol was 0.38 yuan per 500 gram and the average price for vegetable oil was 1.95 yuan per 500 gram, which was a reduction of 2.58 and 6.25 percent, respectively, compared with the pre-decontrol prices under the planned supply system. Calculated on the basis of the standard original grain quotas and grain subsidies for staff, workers, and citizens, the average monthly grain and oil expenditure of the urban population was reduced by 0.44 yuan per capita. On the other hand, after the reform, according to the original estimate of the extent of increases in grain price, staff and workers will have to be provided with a monthly additional 2.00 yuan price differential subsidy; calculated according to the coefficient of the average financial burden of an employee and worker, the non-agricultural population will enjoy an increase of 1.13 yuan per head in their subsidy. Offsetting the two against each other, the urban population will on the average save 1.57 yuan per month per person, which means a benefit of 18.84 yuan per year.

4) The reform reduced the burden on public finance and the pressure on the banks to extend loans. Before the reform, public finance had to provide the grain department every year with 2.1 million yuan of subsidies (comprising 710,000 yuan of expense subsidies, and 1.39 million yuan of subsidies to compensate for price differential due to lowering of list prices), and also had to bear 90,000 yuan interests for advance payments for future purchases. After the state uniformly raised grain supply prices in April of 1992 and instituted equality of purchase and sales prices, it was still necessary to expend 800,000 yuan every year on expenses for parity price sales and interest for advance payments for future purchases. After the reform, the county financial authority raised funds and set up a grain price regulatory fund. Sources for this regulatory fund yield about 2.55 million yuan per year (comprising savings due to the absence of the grain and oil expense subsidy and of 800,000 yuan of interests for advance payments for future purchases, but for the main part 1.75 million yuan from increased prices for agricultural means of production). Their expenditures are mainly consumption compensation funds after decontrol of grain and oil prices, and calculated according to the current standard compensation increase (monthly 2 yuan per head) and the number of recipients of the financial subsidy (cadres, staff, and workers in the units of the administration), they will require only 250,000 yuan per year. The county financial authorities can therefore use the annual savings of 2.3

million yuan to resolve the historical burden of their financial shortfall. Disregarding the element of possible fluctuations, the grain department would be able to liquidate in 15 years the outstanding issue of its accumulated debt of 35.01 million yuan. Furthermore, by means of the reform, the grain enterprises are continuously opening up new business opportunities, a fact which is bound to broaden the tax base and thus indirectly increase the income of the finance authority.

5) The reform removed a heavy load which had burdened the grassroots cadres. In the past, the grain department and the cadres at all levels in the agricultural hamlets (towns), villages, and party organizations had to devote much energy and time to pressing for grain and oil deliveries and on formulating and implementing production plans. The reform has freed them from these onerous tasks, so that they may concentrate their energy on economic construction and on leading the masses toward a comparatively well-off state of existence.

## **2. The Major Problems With the Decontrol of Grain and Oil Purchasing and Marketing and the Freeing of Prices for These Commodities**

1) The measures harm the present interests of the peasants. Because of the very good harvests in recent years, the state has made abundant procurements and laid up abundant stocks of grain. Grain sales are sluggish, and also because of the limited capital funds and storage facilities available, the grain enterprises are in difficulty and are unable to handle the volume of incoming grain. This caused a fall in grain and oil prices in 1992. At the same time as the obligation of fixed quota purchases of grain and oil was abolished, sales prices for agricultural means of production were raised; this situation had an adverse effect on the economic interests of the peasants.

With the removal of quota purchase prices for grain and oil, the income of the peasants increased very little. After abolishing the obligation of fixed quota purchases of the three main commodities, some prices have gone up and some have gone down. The average purchase price for wheat became 0.335 yuan per 500 gram, which was 0.089 yuan higher than the former fixed quota purchasing price. Computing at the quantity purchased last year under the fixed quota system, the price increase made for an extra value of 1,219,000 yuan. The average purchasing price of rice is 0.215 yuan per 500 gram, which is 0.006 yuan less than the former fixed quota purchasing price of last year. Computing at the quantity purchased last year under the fixed quota system, the total value here was 82,000 yuan less. The average purchasing price for rapeseed is 0.62 yuan per 500 gram, which is 0.084 yuan less than the former fixed quota purchasing price. Computing at the quantity purchased last year, the total value here was 210,000 yuan less. Offsetting the gains and losses in the above-mentioned three categories, still leave a net increase of 27,000 yuan, which would amount to an average increase in income of 1.87 yuan per peasant.



Price increases for the main agricultural means of production cause large increases in the peasants' expenditure. To meet the needs of the reform in the grain and oil purchasing and marketing system, and to raise a grain price adjustment fund as a subsidiary remedial measure, the said county uniformly instituted "conversion of parity prices to negotiated prices" and "conversion of medium prices to negotiated prices" for its sales of high-quality chemical fertilizer and diesel oil in planned distribution. In 1992, the 1,296 tons of former plan-distribution "three link-ups" parity price urea and 325 tons of medium-price urea were then all sold at high prices; the per ton retail prices of 560 and 1,000 yuan were raised to 1,100 yuan, and the total of these increases amounted to an extra value of 732,000 yuan. The 3,038 tons of diesel oil originally for plan-distribution at "three links" and "agricultural use" parity prices also had prices raised for one part, namely for 1,378 tons which were left after some had already been supplied at old prices. The retail price was raised from 610 yuan to 1,350 yuan per ton, and the extra value due to this increase was 1.02 million yuan. The total extra value due to the above-mentioned conversions of urea and diesel oil prices to negotiated prices amounted to 1.752 million yuan, which on the average added 3.65 yuan to the expenses of each peasant.

The above-mentioned changes for policy reasons in the grain, oil, chemical fertilizer, and diesel oil prices increased peasant income as well as peasant expenditure. Offsetting one against the other, leaves an average per capita net increase of 1.68 yuan. Additionally considering the large decline in the level of the negotiated prices for the major types of grain and oil and the year by year increases in agricultural taxes, the economic burden of the peasants has become heavier. As a consequence, the enthusiasm of the peasants for cultivation of their fields has to a certain extent been dampened, and agricultural reproduction and relations between government and peasants have been adversely affected.

2) The measures have increased the burden on the enterprises. Luotian is an economically backward county located in a mountainous region. Most of the enterprises in the county are poorly endowed, have a poor foundation to start with, and have weak developmental capabilities. Under the effect of a weak market during the last few years, the country has accumulated large losses. After the present decontrol of grain and oil supply prices, the enterprises will also have to bear the grain and oil differential price subsidies to their staff and workers, which some enterprises find intolerable. It is particularly the grain and oil enterprises that are under great pressure, suffering under the load of the three burdens, namely outstanding debts, overstocked warehouses, and surplus employees, and having already quite some difficulties with the shift in operational methods.

3) The measures weaken the regulatory and control efficacy of the state with regard to the grain market. Agriculture is to a very large extent dependent on natural conditions. Especially in grain and oil production there

are many elements of instability. After reforming the grain and oil purchasing and marketing system, the main objective of the state-run grain enterprises is to achieve economic returns, but they feel the constraints of limited capital funds and other limitations, they lack sufficient reserves, and they will have to gradually get rid of the grain in storage. If a natural catastrophe should at one time occur, one which would seriously affect grain and oil production, the government-controlled grain resources would be insufficient, and the government would then be unable to effect market regulation and control, a situation which would result in a serious shortage of grain and steep rises in the prices, and which in turn could adversely affect the peaceful and stable livelihood of the people.

### 3. Some Suggestions

The reform of the grain and oil purchasing and marketing system conforms, generally speaking, to the trend of reform and opening to the outside world and is beneficial for state and people. However, some problems that have arisen in the reform must not be overlooked. Countermeasures must be adopted to adequately resolve these problems, and it is with this in mind that I present the following suggestions:

1) Establishment of a grain reserve system. To prevent agricultural calamities with production losses from causing fluctuations in the grain and oil markets, the government should establish a grain reserve fund with control over a sufficiently large grain resource, which in case of need could be introduced into the market. As to the specific method, a system should be adopted of having the banks loan funds—interests to be borne by public finance—and of entrusting the grain departments to purchase grain and to keep it in custody.

2) Perfecting the system of the grain price regulatory fund. There is now a very large surplus balance in the current grain price regulatory fund, which should be partially readjusted: First, by appropriately reducing the price increases for chemical fertilizer and diesel oil, to raise peasant enthusiasm for agricultural work. Second, by making provisions in the fund for capital interests and expenditures needed for the accumulation of the grain reserve. Third, by once a year readjusting the standards for staff and workers' grain subsidy, in view of possible fluctuations in the grain and oil prices.

3) Adopting necessary supporting measures. Presently, the grain enterprises are still in a state of great upheaval. The local authorities and relevant functional sectors must adopt some transitional measures to dispel anxieties and resolve difficulties. In respect of capital funds, interests, and tax revenue, the enterprises must be given certain preferential treatment, helping them to reduce the load that is burdening them, improve the conditions for their business operations, raising their competitive strength, and as quickly as possible have them capable of self-reliant development.

4) Perfecting an agricultural service system. The rural areas in the mountainous regions are very extended, production is dispersed, communications are difficult, and market information is ineffective. After the reform of the grain and oil purchasing and marketing system, rapid and extensive changes occur in the market for agricultural products, while peasants have difficulties feeling the pulse of the market, so that unavoidably a certain blindness prevails in their adjustment of the composition of production. It is therefore necessary for the government and relevant departments to build up a comprehensive service system. The departments concerned with agricultural technologies must strengthen guidance in production technologies, must exert great efforts in promoting agricultural technology and science, must guide the peasants in the development of high-quality, high-yield new species and well-selling minor species, thus strengthening competitiveness of products in the market. The departments trading in agricultural products must promptly provide the peasants with news on supply, demand, and prices of agricultural products. The grain departments in particular must continuously bring their function of main channel for grain circulation into play, must sign agricultural trade agreements with the peasants, and must do an effective job of purchasing as well as servicing. The "windows" for external trade must also actively promote sales of local agricultural products, and make every effort to resolve the problem of peasants who find it difficult to sell their products. Commodity price departments must earnestly and effectively investigate costs, promptly provide feedback information on costs and profits of various agricultural products, information that will be useful in guiding the peasants in their rational adjustment of production composition, in accurately drawing up production plans, and in successfully achieving the objective of increased production and increased income.

**Effect of Climatic Warming on Agriculture Viewed**  
*93CE0493A Beijing NONGMIN RIBAO in Chinese*  
*18 Apr 93 p 2*

[Article by Li Bo (2621 2672): "The Climatic Warming and Chinese Agriculture"]

**[Text] Characteristics of the Climatic Warming in China Since 1980**

This reporter has learned from data supplied by the state's meteorological departments that the climatic warming in China since 1980 has shown the following basic characteristics:

1) The 1980's, the warmest period in China for the last 40 years.

During the last 40 years, China's climatic temperatures have experienced two upward changes and one downward change, namely a warming from the 1950's to the 1960's, a cooling from the 1960's to the 1970's, and a warming from the 1970's to today. For the country as a whole, the general trend of China's climate during the

last 40 years has been one of warming. The 1980's have been the warmest period in China for the last 40 years. According to statistics, comprising data from 160 meteorological stations throughout China, the average annual temperature in China during the 1980's (12.55 degrees C) was higher by 0.21 degrees C than the average temperature of the preceding 30 years (1951-1980), higher by 0.16 degrees C than the average annual temperature of the 1970's, was 0.22 degrees C higher than the average annual temperature of the 1960's, and was by 0.25 degrees C higher than the average annual temperature of the 1950's.

2) North China, the region of most marked climatic warming.

In the 1980's, the regions with the most marked climatic warming were China's northeast (including the eastern part of Inner Mongolia), the western parts of China's Northwest (mainly Xinjiang), and Tibet. Comparing the annual average temperatures of the 1980's with the annual average temperatures of the preceding 30 years (1951-1980), the Northeast's were higher by 0.7 degrees C, North China was higher by 0.44 degrees C, and the western parts of the Northwest were higher by 0.11 degrees C.

China's southern regions and the eastern parts of the Northwest did not have appreciable increases in temperatures, while no climatic warming has taken place south of the Huai River and the Qinling mountain range, north of the Nanling mountain range, in the southwest east of the Qinghai-Tibetan plateau and in the middle and lower reaches of the Changjiang River; the Sichuan basin has grown colder since the 1950's.

3) Winter, the main season of notable climatic warming in China.

During the climatic warming in the 1980's, warming occurred most notably in winter. The annual average warming in the winters of the 1980's was 0.5 degrees C higher compared with that of the preceding 30 years (1951-1980). Winters became colder only in the southwest (excepting Tibet); the summer seasons were warmer only in the South China regions, while the other regions showed a declining trend in their temperatures.

Higher winter temperatures during the 1980's were registered not only in China's three northern regions, but also in Japan, on the Korean peninsula, in Mongolia, in Russian Siberia, and in many other regions of the same latitudes in the northern hemisphere.

4) During the last 40 years China's climate showed a general tendency of increasing dryness.

Rainfall during the last 40 years declined in most parts of China, with the exception of some parts of the border region between the Northwest and Sichuan-Hubei, but especially in most areas of North China, Southwest China, the lower reaches of the Changjiang River, the Northeast, and the Northwest. Statistical data from the

country's 160 meteorological stations show that the whole country's average annual rainfall during the 1980's had declined by 50 mm as compared with the 1950's.

Evidently, as China's climate went up during the last 40 years, it also became drier. By regions, North China (including Shandong Province), the Northeast, and the western parts of the Northwest (mainly Xinjiang) had a warmer and drier climate. In some regions of the eastern parts of the Northwest, the climate became colder and wetter. In the Southwest (excluding Tibet) and in the region of the middle and lower reaches of the Changjiang River there was some slight cooling and drying. In South China, the climate was somewhat warmer and drier.

#### **The Influence of Climatic Warming on China's Agriculture**

There is presently no uniform opinion in the assessment of the pros and cons of climatic warming in its influence on China's agricultural production, but in general the disadvantages are considered greater than the advantages. The disadvantages will mainly be that the climatic warming will lead to a deterioration of the agricultural environment, such as: increased evaporation, reduced water resources, threatening prospects for dry land and irrigated agriculture, more frequent occurrence of natural calamities and disasters, more destructive nature of floods and droughts, more crop damage due to high temperatures, shorter summer growing season, thus reduced yield, faster breakdown of chemical fertilizers, thus larger quantities have to be used, higher winter temperatures allow more plant diseases and insect pests to survive the winter, a fact that increases requirements of agricultural chemicals, grasslands will recede, the zone of transitional farming or grazing has to move further north, rise in the sea level, low farmland and wetlands along the coast will be flooded, ruining much agricultural and aquatic production along the coast, because of the move of the zone of higher temperature, some crops will not tolerate the change and die out, so that fewer species could be grown.

The main advantages are believed to be: extension of the growing time over the whole year, crops of the Asian tropical zone could be grown further north, it would enable growing plants with multiple harvests per year,

with more water, sanding of farmland could be reduced, it will increase the rate of vegetation cover, warmer winters will enable more winter crops, which will increase production of wheat.

With climatic warming, China will have to face three conspicuous problems:

1) Increasing instability in agricultural production, increased fluctuations in grain production. China is a monsoon climate zone, if there are great changes in the climate factor, instability will become very evident, climatic disasters in agriculture will increase, and there will be an increase in abnormal climatic conditions. The increased instability in agricultural production will, as a consequence, affect the steady supply of agricultural products. This instability will be a long-term element in China's agricultural development.

2) Changes will be occasioned in the distribution and composition of agricultural production. The present distribution and composition of China's agricultural production is suited to the distribution and makeup of the climatic conditions for agriculture. The extraordinary changes in the space-time distribution under the conditions of warmer temperatures, moisture, etc., caused by the greenhouse effect, could lead to changes in the crop planting system, in the types of crops being grown, their distribution and arrangement, and in the proportionate ratios of agriculture, forestry, animal husbandry, and fishery. Global warming will therefore also have China facing the need for large-scale adaptive adjustments in the distribution and composition of its agricultural production.

3) Large increases in costs and investments in agriculture. Regardless of how large the temperature increases will be, whether the climate will get drier or wetter, the change will bring about changes in the conditions of agricultural production, as, for instance, changes in the irrigation equipment, agricultural machinery and tools, and in complementary technologies. There will be a need for larger quantities of chemical fertilizer and pesticides, for improved seeds, etc. Costs of agricultural production will therefore rise, and the state's investment in agriculture will unavoidably also increase to cope with the impact of climatic warming.



### Poll Surveys Public Views on Democracy

93CM0246A Beijing JINRONG SHIBAO  
in Chinese 10 Apr 93 p 1

[Editorial by Yan Lieshan (6768 3525 1472): "Where Does Democracy Actually Rank in China's Priorities?"]

[Text] A friend who of course knows that I earn my living as a critic for JINRONG SHIBAO, asked me cheekily the other day, "Hey, where does 'democracy' actually rank in China's priorities?" What was this all about? Well, the editorial on the conclusion of the Beijing People's Congress on 12 March 1993 was entitled "Unity, Democracy, Pragmatism, and Drive," which story on 1 March had been that the Enlarged Session of the Beijing Party Standing Committee hoped that the "bicameral legislature" would hold a congress of unity, pragmatism, democracy, and drive, while previously the Beijing People's Congress Standing Committee had used the version of either Beijing or Shanghai about holding a congress of democracy, unity, pragmatism, and drive. So it seems that the "ranking" of this word "democracy," just as with that of the seating arrangement of the officials on the platform, was set only after repeated adjustments, which must have deep significance. And which is why the question was asked: In light of its various rankings in just one month, where does the word "democracy" actually rank in China's priorities? While I was well aware that the question was asked part jokingly and part earnestly, I felt as a critic like laughing not openly at the deep truth that this question was probing at, but rather covertly at its pedantry. What difference does it actually make where our leaders rank "democracy?" Of course, my wording here is a little overdone as, how can a real action be more important or compared in ranking to the drawing up of a program?

But upon closer analysis, the real ranking of the word "democracy" still remains a major issue. Chairman Mao, that old fellow, talked about democracy only as a means. But since the "two alls" have been discontinued, the concept has been revised theoretically, with democracy being defined as both a means and an end. While Jiang Zemin reaffirmed in his political report to the 14th CPC Congress that "people's democracy is a basic demand and innate attribute of socialism, without democracy and law there could be no socialism or socialist modernization," and "our political reforms are aimed at establishing socialist democratic government with distinct Chinese characteristics," democracy remains simply a means as far as many are concerned, being given second place at best. As Comrade Liang Buting [2733 2975 1656] (a member of the CPC Central Committee) has pointed out, many people are evading the issue of democracy, while others are satisfied with merely indulging in empty talk about it.

But democracy cannot be disregarded or avoided, so must be looked at head-on and judged on its merits.

According to the analysis of a detailed survey of 1,000 residents of the city of Qingdao by an authoritative

public opinion polling agency—the China People's U Public Opinion Studies Institute, one-half of the residents feel that while their living standards have improved, they still have little ease of mind. Public opinion channels are blocked, with 43.5 percent believing that it is quite widespread for "the common people to have no place to express their dissent or vent their grievances," 37.1 percent dissatisfied or not very satisfied with cadre-public relations, and very low confidence in major public opinion channels at 12.3 percent for one's own unit, 14.7 percent for discipline inspection units, 9.3 percent for mass organizations, such as labor unions and the Women's Federation, 16.5 percent for departments in charge at the higher level, and 17.6 percent for the judicial sector. This phenomenon among the common people of "bringing the bowl to get meat to eat, but cursing one's mother after putting down the chopsticks" is certainly not unreasonable, as people are after all not like livestock, needing just to be fed, watered, and housed. Mencius said long ago that people need not only "material maintenance," but also "spiritual sustenance." People need a sense of fairness, respect, and participation in public affairs. Otherwise, they feel that they are not being treated as "humans." If sizeable numbers of the members of society are uneasy in their minds to the point of harboring resentment, this is a threat to social stability and unity, not to speak of the impact on unity of will to work as one for economic development.

In our current need to invigorate enterprises, by raising labor productivity and economic efficiency, democracy is an issue that cannot be dodged. In many enterprises, democratic management institutions are very unsound and democratic oversight is a failure, so that employees do not feel like the masters of their own enterprises. There is no employee participation in decisions made by factory directors and plant managers, not to speak of any oversight of administrative and management staff, with appointments and dismissals of enterprise legal representatives remaining a matter for the higher authorities alone. So in state enterprises, the title "boss" is prevalent, with employees regarding themselves as hired workers, and having to say "thank you" for their still quite iron ricebowls. Shanghai Mayor Huang Ju pointed out recently that the right of employees to run their enterprises democratically must be ensured conscientiously, with democratic operations needing enhancement in both shareholding and contracted enterprises, and the need to establish and perfect enterprise self-restraint forces based on democratic participation and oversight. This is very insightful, as people are the most vital element of the productive forces and, unless their initiative is aroused, it is very hard to stimulate production. And democracy is the key means of arousing the initiative and stimulating the talents of the vast majority of people.

So the actual ranking of "democracy" is a matter that every leader from the civil service to grass-roots units needs to think about.

### New Values Seen Among High School Students

93CM0250A Beijing JIAOYU YANJIU  
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[Article by Liang Weiji (2733 3634 6549), Si Xiling (0674 6932 7881), and Cao Boya (2580 0514 0068), affiliated with a taskforce of the CPC Central Committee Propaganda Department's Education Office: "The Value Orientation Characteristics of Today's High School Students and Thoughts on Education" (This article was originally named "Report on Survey of Value Orientation Among Today's High School Students," but was revised by the editor at time of publication.)]

[Excerpts] [Passage omitted] We conducted in September 1991 a survey of the value orientations of today's high school students in 136 high schools of various types (including priority, ordinary, and vocational) in Beijing Municipality; Tangshan City, Hebei; Jilin Province; Zhabei District, Shanghai; Nanjing, Jiangsu; Jian Prefecture, Jiangxi; Fuzhou, Fujian; Jiaozuo, Henan; Qingshan District, Wuhan, Hubei; Zhuhai, Guangdong; Nanning, Guangxi; Chengdu, Sichuan; Kunming and Qujing Prefecture, Yunnan; and Xian, Shaanxi, using the method of survey mostly by questionnaire supplemented by discussions, interviews, and individual case surveys, focusing on ways to deal with the matter of relations between the individual and society, the individual and the collective, and the individual and other people, and emphasizing areas such as political values, moral values, professional values, and outlook on life. We handed out 7,000 survey questionnaires, receiving back 6,969 valid ones. [passage omitted]

#### The Value Orientation Features of Today's High School Students

As the value orientations and developing changes among today's high school students reflect the characteristics of the developing and changing times, being both a product of the influence of the social environment and a result of the effect of age traits and psychological changes of high school students, the value orientation of today's high school students inevitably carries both social and individual features.

#### *I. The Changes in the Value Orientations of Today's High School Students Reflect the Interaction Between Reform and Opening, Commodity Economy Development, and Various Public Thought Trends.*

The value orientations of high school students are always in the same orbit with changes in public economic, political, and cultural developments, with the attention of high school students being closely linked to social realities.

The dual impact of a commodity economy has brought diversity and structure to the value orientation of high school students. The commodity economy principle of exchange at equal value, as well as its emphasis on profits

and competition, have had a profound effect on public value orientation, which naturally has influenced high school students. The commodity economy duality reflected in the value orientation of high school students is quite obvious. High school students have both the fine aspirations of paying attention to reality, performing better, and striving to combine individual interests with social necessities, and the ideological confusion of putting more emphasis on profits than on justice, even to the point of landing in the trap of money fetishism. They have an air of demanding individual development, hard study, fair competition, upward mobility, and sharp progress, along with the phenomena of overemphasis on individual position, declining morality, a weakened sense of patriotism, and less collectivist spirit and sense of social responsibility. And they are gradually evolving a pragmatic stand and spirit of striving for efficiency, while evidencing the problems of shortsightedness, impatience for immediate profit, and a lack of lofty ideals and goals. All of this shows more or less the influence of commodity economy infiltration.

The value orientations of high school students usually change along with the complex changes in public opinion orientation and social thought trends. The parade of bourgeois values focused on individualism, such as "subjectivity for oneself, and objectivity for others" and "it is human nature to be selfish," which began in 1980 with the letter from Pan Xiao [3382 2556], "How Is Our life Path Becoming So Increasingly Narrow" that was published in ZHONGGUO QINGNIAN [CHINESE YOUTH] magazine, has presented repeated challenges to and aroused controversy about socialist and collectivist values. In addition, a stream of public thought trends, such as "the craze for Western culture," "the all-out emphasis on money," and "individualism is a positive word," has brought chaos to the theory and practice of values, which has also had a sharp impact on high school students. Since the Fourth Plenary Session of the 13th CPC Central Committee, along with the new improvements on the overall ideological front, the critique and taking stock of bourgeois values, the publicity surrounding the Asian Games and the flood relief effort, the appearance of excellent films, such as "Jiao Luyu" and "Great Decisive Battle," and the propaganda and indoctrination in adhering to the socialist road and reform and opening, have all had a sharp impact on high school students. These have brought improvements and many positive factors to the value orientation of high school students. [passage omitted]

#### *II. "An Individual and Social Mix," "Equal Emphasis on Public and Private," and "Equal Attention to Taking and Contributing" Have Become the Major Trends in the Value Orientation of High School Students.*

Through a decade-plus of development and change, the value orientation of high school students has gradually evolved a development trend of material interest orientation, emphasis on reality, advocacy of an individual

and social mix, equal emphasis on self and others, and combination of individual and social needs with an emphasis on self.

The survey shows that in dealing with the relations between the individual and society, mixed views, such as "a mix of self and society," "values lie in both giving and getting," and "service to the people along with attention to one's own interests," have become the dominant value orientation of most high school students. More singular views, such as "absolutely no attention to one's self, but particular attention to others," "wholehearted service to the people," and "values lie in giving alone," are comparatively downplayed. On the other hand, extreme individualistic views that are divorced from society and reality, such as a blind "selfish struggle" and "everyone for himself and the devil take the hindmost," are also looked down on by most high school students. The value orientation among high school students of "equal emphasis on public and private" and "equal attention to giving and getting" proceeds largely from a striving for individual well-being, a satisfaction of individual needs, and a realization of self-values. This is because today's high school students are also subject to the various conflicts due to reform, opening, and development of a commodity economy, as well as to the clash between individual development and society's demands, and between a correct and rational understanding and the negative social phenomena that appear. While they would like to define their personal ambitions and causes based on a combination of social and individual interests, the clashes that occur between public and private interests and ideals and realities leave them feeling puzzled, depressed, and indecisive. So a mixed ideology meets the needs of high school students perfectly.

The value orientation among high school students of "equal emphasis on public and private" reflects the view of a dual relationship between individual rights and social commitments, helping high school students to better combine individual development with society's real needs, further arouse their study initiative, enhance their pragmatism, and emphasize efficiency, while also contributing to stability. Since reform and opening, the Party and state have provided fine conditions and created more opportunities for the development of the younger generation so that, once the objective climate was improved, subjective aspiration has become the key conflict, stimulating high school students to enthusiastically achieve upward mobility and realize their own values through struggle. While emphasizing collective interests, high school students are paying attention to individual interests, values, and respect for rights, regarding the two as an organic whole, which suits the changes of a climate of reform and opening. The survey shows that most high school students still give first place to collective interests and selflessness, which ought to be fully approved. But it needs to be noted that a considerable number of high school students are still quite obviously affected by bourgeois individualistic values, giving second place to working in the interests of the

socialist motherland, contributing to the collective, and working for the well-being of others, with a lower and weaker sense of social responsibility and mission. This is quite divorced from the Chinese nation's pressing needs to train up a generation of developers and successors to the cause of socialism who ardently love their country and socialism, have a strong sense of mission, and are imbued with a spirit of sacrifice, hard struggle, and driving progress. If we do not guide them well, we might abet the spread of bad ideas, such as an emphasis on material gain to the detriment of ideals, a striving for pleasure and a fear of hard struggle, an emphasis on immediate interests to the disregard of long-range ones, and shortsightedness and impatience for quick results. [passage omitted]

### *III. The Value Orientations of High School Students Differ by Region and Social Strata.*

The value orientations of high school students are tied closely to local socio-economic, political, and cultural development levels. Economic growth rate, reform pace, and opening breadth and depth all affect their value orientations to varying degrees. High school students' conditions, such as particular living environments, family material conditions, and knowledge levels, are all also limiting factors. These differences are mainly in the following two areas:

#### **1. Regional Differences**

Regional differences are expressed mainly in unequal regional development in areas, such as economics, politics, and culture, which affect the value orientations of high school students.

1. Differences between various regions (or localities). In coastal cities, SEZ's, and large municipalities, including certain tourist cities with developed communications, the relatively developed economies and frequent contact with outsiders give students more flexible ideas, quicker ideological changes, less consensus about traditional moral values, and more new conditions, which state is exactly the opposite in the interior. For instance, in consumer ideology, as to the attitudes of high school students about spending hundreds of yuan to buy superior brand-name shoes in the three cities of Zhuhai, Shanghai, and Wuhan, 48.1 percent, 40.4 percent, and 24.8 percent, respectively, admire this as a personal freedom not to be criticized, while 20.7 percent, 4.6 percent, and 3.2 percent, respectively, buy them with their own money, showing obvious differences of belief and behavior. Occupational choices also differ by region. While most regions put "scientist and technician" first, Zhuhai has a more developed economy and is closer to Hong Kong and Macao, so that "businessman" is more in favor and ranks first, and Chengdu is an interior city with less outside contacts, so that high school students feel that foreign affairs work is dignified and substantial, making it their most-liked occupational choice.

2. Differences among cities, county towns, and villages. As to choice of individual well-being, higher percentages



of high school students in county towns and villages give first place to working hard for the socialist motherland than urban high school students (29.5 percent in county towns, 22.6 percent in villages, and 13.6 percent in cities). As to the factor considered first in choice of occupation, 27.5 percent of county town and 39 percent of village high school students put society's needs first, while only 12.9 percent of urban high school students do so. And as to valuations of hero-figures, 55.2 percent of county town, 64.5 percent of village, but only 37.2 percent of urban high school students believe that Jiao Yulu [3542 5940 4389] is a model figure who they would strive to emulate.

These comparisons show that as coastal open zones and large cities have more developed economies, more and faster-transmitted public information, more open climates, and a sharper collision and clash of old and new ideas, the value orientations of their high school students have changed more. Since the Third Plenary Session of the 11th CPC Central Committee, the county town and rural economies have grown sharply, rural living standards have undergone an unprecedentedly sharp change, and the masses of peasants have generally resolved their food and clothing problems, being quite satisfied with their living conditions. Meanwhile, as the rural climate is more closed, the change in value orientation among high school students has been slower, more stable, and less sophisticated. But this must not lead us to the conclusion that the value orientation of high school students is better in interior county towns and villages than in coastal open-zone cities. An overall investigation of the ideological and moral quality of students in coastal open zones and cities shows that while they have much awareness of socialist modernization needs and the reform and opening social climate, which county town and village students do not, their many problems reflect the social conflicts in the historical process of reform and opening, as well as being related to our educational work not yet being well-suited to reform and opening conditions. [passage omitted]

## 2. Differences Among High School Students by Social Strata

In comparing priority high schools to ordinary ones, priority high school students show 13.1 percent more interest in learning than ordinary ones (the actual gap being even larger), and 6.6 percent more sense of material well-being, showing a clear sense of advantage. In comparison to ordinary high schools, priority high school students think more rationally and think out problems more deeply. As to their futures, priority high school students generally are confident about promotion, making passing exams to well-known colleges and obtaining ideal professions their struggle goals. Ordinary high school students are somewhat less self-confident, being 8 points lower than priority high school students in believing that they have broad futures, 6.1 points higher in feeling that their futures are uncertain, and feeling more deeply about their heavy study burden. The survey data on ordinary senior high school students shows that

53 percent believe that high school students' lives are tense, uninteresting, dull, and spiritless, 15.8 percent feel that they are half pain and half pleasure, and only 31 percent give a fairly positive valuation. Getting out of the heavy burden of study is more urgent as far as they are concerned.

Varying family conditions also have a certain influence on students' value orientations. Students from peasant families feel the strongest sense of well-being (with 67.1 percent of students feeling very happy about their lives). The value orientations of students from cadre, intellectual, and working families vary slightly, with distinct features. For instance, 33.2 percent, 38.7 percent, and 32.1 percent of students from cadre, intellectual, and working families, respectively, agree with the view that "subjectivity is for oneself, and objectivity for others." Occupation choices also vary, with students from intellectual families having more pronounced individuality and more complaints about the phenomena of unfair social distribution and discrepancy between pay for intellectual and manual labor. Students from self-employed working families are more apt to misunderstand issues, such as "money equals happiness," "existence is for pleasure," and "ideals are illusory, while commodities are real."

## IV. The Value Orientations of High School Students Are Characterized by Uncertainty and Instability. [passage omitted]

The survey shows that the uncertainty and instability in the value orientations of high school students is expressed mainly in the following three areas:

### 1. Rational Perceptions Are Divorced From Behavioral Choices.

The value orientations of high school students are expressed primarily in the forms of views and evaluations. This is limited by their own material and spiritual needs, as well as reflecting to a certain degree their psychological needs, while having a certain distance from their deeper values, meaning both differences and links. The high school period is a time of searching for role models and considering lifepaths. The questionnaire found that while 93.6 percent of students greatly admired Jiao Luyu, 49.6 percent of these admirers expressed an inability to copy him. While 93 percent of students felt that high school students ought to love their own country first, only 54.2 percent noted that "all share the responsibility for the fate of their country" is a Chinese national tradition that ought to be advocated. And while 92.2 percent of students endorsed the motto that "if the young and strong do not work hard, the elderly and weak will have suffered in vain," only 49.3 percent expressed a willingness to study hard. [passage omitted]

### 2. Ideals Clash With Realities.

Conflicts between ideals and realities are often one of the most difficult-to-resolve psychological crises in life.

While the hearts of this generation of high school students still generally shine with radiant ideals—with the success of the Asian Games, the magnanimous act of flood disaster relief, the teaching of modern history and national conditions, and even a good book—all filling them with ardor and spiritual invigoration, high school students are usually subject to more emotional stimulation than rational thought. So when faced with complex social realities, they are apt to become puzzled by the conflict between ideals and realities. [passage omitted]

### **3. Value Orientations Are Constantly Modifying and Changing.**

In the constant modification and change of the yardsticks of high school students' value orientations, changes in the social climate are the external factor promoting this modification, while high school students' development process is the internal factor. While stability is relative, modification and change are absolutes. Increasing age brings increasing consideration of real issues.

An in-depth comparison shows that 9th-grade students are more willing to be taught, putting a higher valuation on the positive role of guidance by teachers' lives, and

liking the collective life better, being higher in these two categories than senior high school students by about 10 percent. Senior high school is a key stage of adjustment of value orientations, with increasing age and understanding of society and one's own capabilities bringing students closer to social realities, more attention paid to actual issues, and clearer changes, with a comparison of the three senior high school grades showing even more changes in the spiritual aspirations of priority high school students. As to confidence in bright futures, 10th, 11th, and 12th grades show 34.5 percent, 23.5 percent, and 23.6 percent, respectively. As to personal happiness, 28.4 percent of sophomores put working for the socialist motherland first, while 17.7 percent of juniors and 19.6 percent of seniors put it second. The views of ordinary high school students toward material aspirations change even more by grade, with 14 percent of sophomores, 18 percent of juniors, and 20.5 percent of seniors believing that ideals are illusory and commodities are real. But whether priority or ordinary high school, increasing age brings higher percentages of the view that "money equals happiness." While this change has many factors, it presents us with the problem of the higher the grade of student, the more need for stronger and better education and guidance. [passage omitted]

## NORTHEAST REGION

### Work Report of Liaoning Provincial Higher People's Court

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12 Mar 93 p 5

[Work Report of the Liaoning Provincial Higher People's Court delivered by President Zhang Huanwen of the court at the first session of the provincial people's congress: "Strengthen Trial Work, Develop Democratic Legal System"]

[Text] On 2 March, Zhang Huanwen, President of the Liaoning Provincial Higher People's Court, delivered a report on the work of the people's courts at the First Session of the Eighth Provincial People's Congress for examination and approval by the session.

Zhang Huanwen briefed the session about the achievements made by the courts during the past five years between 1988 and 1992 with special emphasis on the work since 1992.

During the five years between 1988 and 1992, the people's courts at all levels in our province, under the leadership and supervision of the provincial CPC committee, the Standing Committee of the provincial people's congress and the supreme people's court, had persistently followed the party's basic line, firmly established the guiding ideology of serving economic construction, strengthened the trial work, worked hard to improve law enforcement, energetically taken comprehensive measures to improve public security, and done a still better job in fulfilling the adjudication task assigned them by the party and the people. During the five years, the courts at all levels in the province handled a total of 1,013,557 cases of all types, showing an increase of 71.4 percent and an average of 13.2 percent annual growth rate as compared with the previous five years. Verdicts were passed on 909,507 cases of all types according to the constitution and laws, an increase of 73.3 percent over that in the previous five years, of which 11.7 percent or 106,612 were criminal cases in the first instance, 55.9 percent or 508,687 were civil cases, 15.2 percent or 138,372 were cases on economic disputes and 17.2 percent or 155,836 were cases involving appeals, petitions, administration, and execution of sentences. Through the various activities of adjudication in accordance with law, the courts at all levels in the province had dealt blows at criminals of all types, protected the legitimate rights and interests of citizens and legal persons, harmonized economic relations, and played an active role in maintaining social stability and promoting the development of reform, opening up, and modernization.

#### 1. Sternly Strike at Serious Criminal Activities Undermining Public Security; Maintain State and Social Stability

Since 1988, under the guidance of Comrade Deng Xiaoping's theory in building socialism with Chinese characteristics, the situation in Liaoning is fine just like

other areas throughout the country. The province is politically and socially stable, and its economy flourishes. The situation in public security in the province remains basically stable. Actually it has improved to a certain extent. However, there are still many problems in social order. Judged from the criminal cases handled by the courts in recent years, conspicuous problems are as follows:

(1) The number of violent crimes remains high. The number of major criminal cases such as manslaughter, robbery, rape, explosion, illegal seizure of properties, and buying and selling of firearms continue to rise. In 1992, cases of these categories already accounted for 41 percent of the total number of concluded criminal cases of the first instance. There were even cases involving hired killers.

(2) Crimes involving property violation become more serious. The number of crimes involving larceny, fraud, and extortion of articles of public or private properties by blackmail accounted for 50.6 percent of the total number of concluded criminal cases of the first instance in 1992. There were even cases involving kidnappers who held hostages for ransom.

(3) The number of joint or group crimes in total disregard of public order is increasing. In 1992, the courts in various localities in the province concluded a total of 3,684 cases of joint or group crimes, making up 14.3 percent of the total number of concluded criminal cases of the first instance. Some of the cases involved the underworld.

(4) The number of crimes against social decency such as the manufacturing, transporting and selling of narcotics continues to swell despite repeated orders from the authorities. In 1992, the courts in the province concluded 115 such cases, up 19.8 percent as compared with the previous year.

For the past five years, the courts in various localities throughout the province had acted in accordance with the criminal law, the criminal procedure law, the relevant decisions made by the NPC [National People's Congress] Standing Committee; and severely and quickly punished the main targets of attack defined by the central authorities and the NPC Standing Committee, the criminals of various types who severely endangered public security and the relatively notorious criminal elements in the province who commit crimes in groups as well as train bandits, highway robbers, hooligans and other trouble-makers. During the past five years, sentences that already became legally effective were passed on 121,557 criminals, of whom 4,985 received sentences of death penalty, death penalty with a suspension of execution or life imprisonment. The number of criminals who received sentences of fixed-term imprisonment for five or more years accounted for 64.3 percent of the total number of criminals who seriously endangered public security. The courts at all



levels had earnestly implemented the resolution adopted by the NPC Standing Committee on speeding up trials. A great majority of the 9,117 serious criminal cases winded up in 1992 were concluded within 15 or 20 days. Meanwhile, the right moment was chosen to make use of typical cases to convene a total of 696 large-scale meetings to announce sentences in public in order to demonstrate the power and momentum in focusing our attention to striking at the criminals.

While trying cases of all types, the courts at all levels have exerted special efforts to wage struggles and tackle problems in improving public security in line of local conditions. In 1991 and 1992, 16,309 cases involving larceny were concluded, and verdicts were passed on 23,138 criminals who committed larceny, of whom 303 were sentenced to death penalty, death penalty with a suspension of execution or life imprisonment, and 5,145 were sentenced to fixed-term imprisonment for five or more years. This had dealt heavy blows at the criminals swollen with arrogance.

In doing their trial work, the courts at all levels have persistently and in an overall manner implemented the principle laid down by the central authorities in making comprehensive improvements. First, they brought into full play their adjudicative functions, and handled cases of all types in accordance with law. Second, they did a good job in making appropriate extension of their trial work. Third, they paid attention to expanding the social effects of their trial work.

## **2. Severely Punish Criminal Activities Seriously Undermine Economy; Maintain Normal Economic Order**

Since the introduction of reform and opening up, the party and the state have attached great importance to striking at serious economic crimes and struggling against corruption. During the five years, the courts at all levels in the province accepted and tried 20,023 economic cases of the first instance of which 2,514 cases involved violation of properties in the amount of 50,000 yuan or more and 223 cases involving violation of properties in the amount of 100,000 yuan or more. A total of 27,277 criminals were convicted, of whom 10 percent were party cadres; 301 criminals received sentences of death penalty, death penalty with a suspension of execution or life imprisonment; and 7,127 criminals received fixed-imprisonment for five years or more. Economic losses close to 100 million yuan were retrieved by the state.

In the course of handling cases of economic crimes, the courts at all levels have always adhered to the principle of being resolute, prudent, and accurate; drawn a clear-cut demarcation line between the guilty and the innocent, between one type of crime and another and between major offenses and minor ones. In dealing with major, complicated, and difficult cases, the courts at all levels persisted in making check-ups to avoid mistakes. In handling sensitive cases involving contractors or

leaseholds of enterprises, supply and marketing managerial personnel, and scientific and technical workers, the courts paid full attention to facts, adhered to policy, and acted with prudence. In handling cases involving scientific and technical personnel and those backbone cadres in charge of production and management in various enterprises who made remarkable contributions, distinguished themselves in various fields, showed repentance, and whose offenses were relatively minor, the courts had often ruled that the offenders be given suspension of sentence, exempted from criminal punishment, or granted parole.

## **3. Energetically Strengthen Work of Trying Economic Cases; Provide Effective Legal Services for Economic Construction**

Trying economic cases is one of the tasks of the people's courts aimed at maintaining the closest ties with and most directly serve economic construction. During the past five years, all the courts in the province handled 128,847 cases of the first instance involving economic disputes, representing an increase of nearly three times over the previous five years and an annual growth rate of 21 percent; and concluded 128,197 cases with the amount of litigant objectives reaching 7.16 billion yuan. In general, the amount of litigant objectives had become greater and greater, and there were more and more new cases involving reform and opening up, and the legal relations had become increasingly complicated. For the past several years, the courts at all levels in the province had brought into full play the direct role of trials of economic cases in serving economic construction, and energetically strengthened their trial work. First, they stressed the main points in ensuring the smooth implementation of the various economic policies and measures. Second, they regarded the development of the productive forces as their basic criterion, and worked hard to create an environment for equal competition. Third, they continuously expanded their services. In trying economic cases, they, on the one hand, correctly and timely resolved economic disputes, while on the other, they also acted as links between various enterprises and helped them develop production. For several years, they adopted measures to strengthen their work of executing sentences. As a result, they had helped our province retrieve more than 750 million yuan last year, and greatly promote production.

## **4. Strengthen Work in Trying Civil and Administrative Cases in Overall Manner; Protect Legitimate Rights and Interests of Citizens and Legal Persons**

Trying civil cases has always been an important task of people's courts. On the one hand, the number of civil cases is increasing with a high rate of growth. In 1988, the courts in the province handled 74,178 civil cases of all types, but this figure rose to 115,066 in 1992, representing an increase of 41.6 percent and accounting for more than 60 percent of the total number of cases accepted by the courts. On the other hand, civil cases affect the immediate interests of the masses, and the

handling of the cases has a direct impact on the people's life and on their enthusiasm in developing economic construction and promoting socialist civilization. During the past five years, the courts at all levels in the province handled a total of 469,010 civil lawsuits and concluded 463,111 of them with improved quality and efficiency in handling the cases and with excellent social effects. In the course of trying civil cases, it is necessary to do a good job in handling common ones. More than 90 percent of the civil lawsuits involve marriage, debts, compensation, and housing. They are the focus in trying civil cases. Second, it is necessary to carefully handle cases of a new-type or a sensitive nature. Following the continuous expansion of the rights and interests of citizens and legal persons, some new situations have cropped up in civil lawsuits. Lawsuits have been filed in courts for disputes on copyright, securities transaction and housing development, and labor disputes. In order to solve problems caused by imperfect legal provisions, we must adhere to the principle of seeking truth from facts and try our best to appropriately solve such problems in the course of trying these cases.

Work in trying administrative cases has entered a new stage with the Administrative Procedure Law officially enacted on 1 October 1990. Since the official enactment of the Administrative Procedure Law, the courts at all levels in the province had concluded a total of 1,606 administrative cases and played a significant role in protecting the legitimate rights and interests of citizens, legal persons and other organizations; in supervising administrative organs to exercise their powers and perform their duties according to law; and in helping the government change its functions. People's courts did a great deal of work around the enactment of the Administrative Procedure Law. First of all, they had earnestly made a great deal of publicity and preparation work prior to the enactment. Next, they had correctly handled a number of administrative cases. They conscientiously displayed the legislative spirit of the Administrative Procedure Law. In trying cases of this nature, they not only protected the legitimate rights and interests of citizens, legal persons, and other organizations, but also safeguarded and supervised administrative organs to exercise their powers. They resolutely annulled or changed administrative measures that ran counter to the law.

#### **5. Train More Judicial Cadres; Ensure Strict Law Enforcement**

Tempered by the reform and open up program for the past 14 years and the various complicated situations at home and abroad, the judicial cadres in the province are basically good, and their political and professional standards are improving. However, they still lag far behind the requirements in keeping pace with the rapidly developing reform and opening up program and in developing socialist market economy. For several years, the courts at all levels in the province persistently strengthened trial work, while training more judicial workers. They regarded the training of judges who are politically firm,

organizationally pure, and professionally proficient as a key in fulfilling the adjudication task during the new period. First, efforts must be made to arm backbone bailiffs with the theory of building socialism with Chinese characteristics. With the number of cases continuously increasing, the shortage of judicial workers and inferior working conditions, we must inspire our enthusiasm, wage arduous struggles, work hard over a protracted period to train a group of advanced judicial cadres and outstanding judges who are able to strictly enforce the law, honestly perform their official duties, and wholeheartedly serve the people. Second, efforts must be made to help capable police cadres raise their professional qualities. As of the end of 1992, there were a total of 10,508 police cadres working in various courts in the province, of whom more than 50 percent received college educations, and close to 40 percent received legal training, marking increases by 70 percent and 60 percent respectively as compared with the 1987 figures. Significant changes have also taken place in judicial workers' intellectual and professional qualities. Third, efforts must be made to help judicial workers to remain clean and honest, and strengthen our supervision over the adjudication personnel. In order to prevent unhealthy practices in society from interfering trial work, the courts at all levels remained strict with court staff members and police cadres. By inviting honest and clean supervisors, they set up a system of investigating misjudged cases; developed activities to vie with each other to become honest and clean judges; signed pledges with parties to remain honest and clean; further enforced discipline in trying cases and improved the restraint mechanism. They also seriously investigated and resolved problems which involved adjudication cadres who violated laws and party discipline. In 1992, there were two police cadres in the province who violated party discipline and broke laws. They were punished according to law. As for those whose offenses were minor, not qualifying for criminal sanctions, some of them were subjected to party or administrative disciplinary actions, while others were ordered to leave their judicial posts so as to maintain purity of the adjudication personnel. In order to ensure strict law enforcement, the courts at all levels had resolutely strengthened their supervision over trials. Through the trials of cases of second instance and readjudication and the various activities to check up law enforcement, they had timely solved the problems which cropped up in trial work. In 1992, the province had tried a total of 12,367 cases of second instance, handled a total of 6,213 petitions, received 316,255 visitors, and replied to 316,255 letters from the masses. They had adjusted their verdicts and made corrections according to law when the original sentences were inadequate because of unclear facts, insufficient evidences, or improper interpretation of the law. They also timely put forward measures for improvement to solve problems caused by improper procedures in executing sentences or the adjudication personnel's crude style of work.

Zhang Huanwen pointed out: For the past several years, courts in the province had scored some achievements.

However, they still lag behind the requirements set by the party and the state, and fail to keep pace with the developing situation. The main reason is that our thinking and concept, professional standards and work conditions remain incompatible with the developing situation. It is still difficult to execute sentences, after verdicts are given in economic and civil courts. Some of the adjudication cadres working for various courts are still fettered by localistic protectionism which affects fair law enforcement. We still need to solve difficult problems listed in people's complaints. Some of the adjudication personnel's style of work remains crude. There are still problems caused by adjudication personnel who fail to carry out their work thoroughly and painstakingly. Some of the cases are not handled on time, while a few of them are not properly handled. Some individual police cadres violate discipline and laws, causing harmful effects among the people. We will adopt effective measures to solve all these problems and continuously improve the work of the people's courts.

In conclusion, Zhang Huanwen pointed out, 1993 is a year in which we implement the spirit of the 14th National People's Congress in an overall manner, and develop our national economy along the path of improving quality, optimizing structure and increasing work efficiency. During the new year, we must conscientiously study the guideline laid down by the 14th National People's Congress, take the party's basic line as a guiding principle and economic construction as our central task, comprehensively strengthen our trial work,

strictly enforce the law, work hard to raise our standards in doing trial work, and play our role even better in speeding up the development of the reform and open-up program. We must earnestly implement the guideline laid down by the National Conference on Political and Legal Work and the 16th National Conference on the Work of People's Courts; strengthen the function in exercising people's democratic dictatorship; resolutely deal heavy blows at various types of criminal activities; and create a fine social environment for quickening the pace of reform and opening up. We must further strengthen our trial work in the economic field, and provide effective legal services for the establishment and development of a new economic system. We must do a still better job in handling civil cases, administrative trials, appeals and petitions; firmly protect the legitimate rights and interests of citizens and legal persons; and support the government in changing its functions and administer the country according to law. We must bring into full play all types of functions in adjudication, earnestly implement the guiding principle of making overall improvement in public security, and ensure a long period of order and stability. We must help judicial cadres further improve their political and professional standards, and ensure the correct implementation of the constitution and laws. In the new year, we must emancipate our thinking, seek truth from facts, march forward in unity, strictly enforce the law, and make new contributions to developing socialist democracy and the legal system and to winning a still greater victory in building socialism with Chinese characteristics!



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